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No. _____

In The

Supreme Court of the United States

October Term, 1993

SILSTAR CORPORATION OF AMERICA, INC.,

Petitioner,

v.

SHAKESPEARE, INC.,

Respondent.

Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fourth Circuit

PETITION FOR A WRIT OF CERTIORARI

FRANCIS M. PINCKNEY

SHEFTE, PINCKNEY AND SAWYER
3740 One First Union Center
301 South College Street
Charlotte, North Carolina 28202-6020
(704) 375-9181

Attorney for Silstar Corporation of America, Inc.

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

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QUESTIONS FOR REVIEW

1. Whether a trademark registered under the Lanham Act can provide a perpetual patent like monopoly for a functional feature of a product in light of the constitutional limitation on such perpetual monopolies set forth in Article I, Section 8, clause 8 of the U.S. Constitution and in light of the entire history of trademark law to the contrary.

2. Whether 15 U.S.C. § 1119 provides authority for a federal court to cancel a trademark on the grounds that it applies to a functional feature.

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OPINIONS BELOW

The following orders and opinions have been entered in this matter:

On October 5, 1990, the United States District Court issued an order of preliminary injunction.

On September 25, 1992, the United States District Court, after a full trial, dissolved the order of preliminary injunction and entered an order of judgment in favor of the Petitioner, Silstar Corporation of America, Inc., holding Respondent's trademark was invalid because it was functional and cancelling Respondent's federal trademark registration on the ground that a functional feature of Respondent's product could not constitute a valid trademark. (App. 38.)

On October 19, 1992, the United States District Court denied Respondent's application for a stay of the Court's judgment.

On November 20, 1992, the United States Court of Appeals for the Fourth Circuit granted Respondent's motion to stay cancellation of its trademark registration.

On November 15, 1993, the United States Court of Appeals for the Fourth Circuit, in a split decision, issued its order reversing the judgment and reinstating Respondent's trademark registration, holding that functionality of the mark could not be the basis for cancelling an incontestable trademark registration. (App. 1.)

On January 5, 1994, the United States Court of Appeals for the Fourth Circuit entered its order denying Petitioner's Petition for Rehearing and, in an eleven to

four decision, denying Petitioner's Suggestion for Rehearing In Banc. (App. 66.)

STATEMENT OF JURISDICTIONAL GROUNDS

Petitioner petitions for a writ of certiorari from the order and judgment of the United States Court of Appeals for the Fourth Circuit dated November 15, 1993. The United States Court of Appeals for the Fourth Circuit denied Petitioner's Petition for Rehearing and Suggestion for Rehearing In Banc on January 5, 1994.

This Court has jurisdiction to grant a writ of certiorari pursuant to 15 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS

Article 1, Section 8, clause 8

> Congress shall have Power to Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

STATUTORY PROVISIONS

15 U.S.C. § 1064 Cancelation of registration

> A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be

damaged by the registration of a mark on the principal register established by this Act, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this Act.

(2) Within five years from the date of publication under section 12(c) hereof [15 USCS § 1062(c)] of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 [15 USCS § 1054] or of subsection (a), (b), or (c) of section 2 [15 USCS § 1052(a), (b), or (c)] for a registration under this Act, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic

name of goods or services on or in connection with which it has been used.

(4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 12 of this Act [15 USCS § 1062(c)].

(5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies:

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register established by this Act, and the prescribed fee shall not be required.

15 U.S.C. § 1119 Power of court over registration

> In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent

and Trademark Office, and shall be controlled thereby.

STATEMENT OF THE CASE

Shakespeare and Silstar are both sellers of fishing tackle. In the mid-1970's Shakespeare developed a patented process for making fishing rods that resulted in a hollow rod with a solid fiberglass tip that provided significant functional advantages for the fishing rod. The natural appearance of the solid tip is clear. Failing to disclose to the Trademark and Patent Office that the clear tip was the natural appearance produced by its manufacturing process, Shakespeare was allowed to register as a trademark such clear tip portion of a fishing rod. More than five years elapsed and Shakespeare's trademark achieved "incontestable" status.

Silstar has developed a method of producing hollow rods with solid fiberglass tips that also provide the same functional advantage and that do not infringe on Shakespeare's patent. Silstar seeks to sell its rods with their natural clear fiberglass tips.

After a full trial on the merits, the United States District Court made detailed findings of fact that Silstar sought to use the clear tip in order to, and for the purpose of, showing consumers the tip was made of solid fiberglass. The District Court also found as a fact that the clear tip is a functional feature of the fishing rod and not entitled to trademark protection. On that basis the District Court also ordered cancellation of the registration. (App. 38.)

Notwithstanding its acceptance of the factual finding that the mark was functional, the Fourth Circuit Court of Appeals held that a federal court cannot cancel an incontestable trademark registration on that basis.

All members of the Court of Appeals panel accepted the fact that the clear tip feature is a functional aspect of a fishing rod. *Shakespeare v. Silstar*, Op. No. 92-2311, (4th Cir. November 15, 1993) pp. 19, 27-29; App. 22, 33-35. The Fourth Circuit Court of Appeals' decision is the only known case that holds that a functional feature of a device can be the proper subject of a registered trademark.

The decision is in irreconcilable conflict with the entire history of trademark law that a functional feature of a device cannot be a valid trademark. As evidence of the absolute absence of support of the position adopted by the Fourth Circuit Court of Appeals, even the Respondent has never argued that a trademark can exist with respect to functional features. Rather, Respondent contests that the clear tip is functional, a fact found by the District Court and accepted by the Fourth Circuit Court of Appeals.

In his very strong dissent, in the opinion below, Judge Niemeyer demonstrates that a trademark in the form of a functional feature is simply a nullity, conveying no enforceable rights. (App. 18.) Even though such a trademark may have been registered under the Lanham Act for more than five years, it remains a nullity and cannot be enforced. As pointed out by Judge Niemeyer's dissent, the majority opinion does not discuss the question whether a purported trademark in the form of a

functional feature may be enforced in light of the express Constitutional restriction against granting perpetual monopolies, even under the patent laws.

To the extent that the majority's silence as to the enforceability of the mark can be read as affirmatively supporting enforcement, such a holding violates the explicit Constitutional restrictions on interpreting the Lanham Act in this fashion. The novelty of the Court of Appeal's decision combined with its potential for destroying the long standing and correct distinction between patents and trademarks render this an important case for this Court's review.

REASONS FOR GRANTING THE WRIT

I.

PROTECTION OF FUNCTIONAL FEATURES UNDER THE LANHAM ACT IS UNCONSTITUTIONAL AND AGAINST ESTABLISHED PUBLIC POLICY.

Article I, Section 8, clause 8 of the Constitution establishes the basic principle that Congress shall have the power to promote the progress of science and the useful arts, but only by granting exclusive rights to inventions "for limited times". Contrary to the much abused practice of the British Crown granting perpetual monopolies as favors, the Constitutional authority for granting limited patent monopolies takes into consideration that "the rights and welfare of the community must be fairly dealt with and effectually guarded," and "to that end the prerequisites to obtaining a patent are strictly observed". *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230, 84 S.

Ct. 784, 788, 11 L.Ed. 2d 661, (1964). The Constitution requires that "when the patent expires, the monopoly created by it expires too and the right to make the article – including the right to make it in precisely the shape it carried when patented – passes to the public," *Sears, supra*, 376 U.S. at 230.

This Court has long held that the U.S. Constitution, Article I, Section 8, clause 8 ensures that functional designs can be protected for only limited times, and then only pursuant to federal patent law. *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225, 84 S. Ct. 784, 11 L.Ed. 2d 661 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S. Ct. 779, 11 L.Ed. 2d 669 (1964).

This Court has recently made it clear that neither the States nor Congress "can create patent monopolies of unlimited duration" or "restrict free access to material already available" to the public, *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S. Ct. 971, 975 (1989). This fundamental constitutional principle forbids establishing perpetual trademark rights in functional features.

Construing the Lanham Act to somehow create a perpetual right to prevent others from incorporating functional features into their products attributes a power to Congress that it does not have.

> "Congress may not create patent monopolies of unlimited duration. . . . " *Bonito Boats, supra*, 488 U.S. at 146.

The Fourth Circuit Court of Appeals in its opinion below relied heavily on this Court's decision in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 105 S. Ct. 658, 83

L.Ed. 2d 582 (1985), reasoning that because the Lanham Act does not specifically authorize cancellation of an incontestable trademark registration on the ground that it applies to a primarily functional feature, a federal court may not cancel a trademark registration on that ground. However, this Court's decision in *Park 'N Fly, supra,* dealt with a challenge to a registered mark on the ground that it was "merely descriptive". The challenge did not raise any Constitutional issues. In *Park 'N Fly, supra,* this Court specifically did not address the issue of the extent of a federal court's equitable power to cancel a trademark registration, where enforcement of the mark is precluded by the U.S. Constitution, 469 U.S. at 203.

This case presents a compelling invitation for this Court to address the Constitutional and public policy prohibitions against registered trademark owners' using a registered trademark to restrain perpetually all competitors from copying primarily functional product features.

II.

THE COURT OF APPEALS' DECISION IS CONTRARY TO THE ENTIRE WEIGHT OF TRADEMARK LAW IN THIS AREA.

If perpetual monopoly protection in a primarily functional feature were available under the Lanham Act, it would not only fly in the face of the "limited times" requirement imposed on monopolies in the Constitution, it would establish a dramatic change in the "careful balance" embodied in the federal patent laws, *Bonito Boats,* 109 S. Ct. at 975. Companies producing products having

features that are both functional and to some extent aesthetic will clearly opt to obtain a registration for the features and then obtain a perpetual monopoly by using the features for five years until the registration becomes "incontestable", rather than to go through the rigors of the patent examination process and hopefully obtain a patent that is limited to a seventeen year term.

This is precisely why there are fundamental policy reasons which preclude the protection of functional features as trademarks. As noted in *Best Lock Corp. v. Schlage Lock Co.*, 413 F.2d 1195, 162 USPQ 552 (CCPA 1969):

> The reason is clear. If a configuration is functional . . . then everyone has the right to use the configuration for its functional purpose, subject only to such exclusive right for a *limited* time as *may* exist under the patent laws. (Emphasis by the Court)

413 F.2d at 1199.

Stated another way, a seller cannot make an end-run around functional patent law requirements of novelty and non-obviousness by calling a functional utilitarian feature "my trademark" and the policy against functional features being protectable as trademarks "is obviously to prevent the grant of perpetual monopoly by the issuance of a trademark [registration] in the situation where a patent has either expired, or for one reason or another, cannot be granted", *Sylvania Electric Products, Inc. v. Dura Electric Lamp Co.*, 247 F.2d 730, 114 USPQ 434, 436 (3rd Cir. 1957) (holding the "blue dot" in a flash bulb that resulted from its manufacturing process was functional and therefore invalid as a trademark).

The proposition that functional features cannot be the subject of a trademark is so well established in U.S. trademark law that the dissent, in a very recent Seventh Circuit Court of Appeals case addressing registrability of a nonfunctional trademark, stated:

> Courts have attempted to reconcile any conflict between trademark and patent law by invoking the rubric of functionality. The functionality defense seeks to protect the integrity of the utility patent system by excepting from configuration trademarks those products for which trademark protection would result in a perpetual monopoly inconsistent with the utility patent laws. (Citations omitted.) 'The defense exists because granting exclusive rights to functional features of products is the domain of patent, not trademark, law.' *No one questions that functional features not protected by a valid utility patent, or for which the patent has expired, are open to everyone to copy. Trademarks may not be acquired to defeat the right to copy.* (Emphasis added)

Kohler Co. v. Moen, Inc., 12 F.3d 632, 648 (7th Cir. 1993).

The Fourth Circuit Court of Appeals' decision does what no other case has ever done, it recognizes perpetual trademark rights in a primarily functional product feature. The decision is in irreconcilable conflict with both the U.S. Constitution and long standing public policy and should be reversed.

III.

CONGRESS GAVE FEDERAL COURTS THE POWER TO CANCEL TRADEMARK REGISTRATION DIRECTED TO FUNCTIONAL FEATURES.

The Fourth Circuit Court of Appeals' decision rests on a literal reading of 15 U.S.C. § 1064 to reach its conclusion that functionality is not a ground upon which federal courts can cancel an incontestable trademark registration. Yet, there is no textural support for its conclusion that 15 U.S.C. § 1119 does not authorize federal courts to cancel a registration that runs afoul of the U.S. Constitution. By its clearly stated terms, Congress has granted such power to the federal courts.

> *In any action involving a registered mark the court may* determine the right to registration, *order the cancellation of registrations,* in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. (emphasis added)

15 U.S.C. § 1119.

Congress did not impose any restriction on the federal court's power in this regard, but rather accorded the power to cancel in *any action* involving a registered mark. Although this Court has held that the power to cancel must be "subject to the specific provisions concerning incontestability", *Park 'N Fly, supra,* 469 U.S. at 189, this Court's decision clearly does not hold that federal courts are not authorized to cancel a trademark registration that violates the U.S. Constitution. In fact, this Court took pains to point out that its opinion in *Park 'N Fly, supra,*

did not address equitable considerations that may otherwise affect the enforceability of a mark covered by an incontestable registration. *Park 'N Fly, supra,* 469 at 203, fn. 7.

CONCLUSION

This case presents important and fundamental questions as to the permissible scope of trademark protection. Congress cannot create a statutory scheme that enables one to acquire perpetual monopoly protection in a functional feature of a product. Petitioner submits that the Lanham Act cannot and should not be construed to allow Respondent to achieve such a result.

For these reasons, Petitioner respectfully requests the Court to grant a Writ of Certiorari to review the judgment of the United States Court of Appeals for the Fourth Circuit, to reverse that judgment and reinstate the judgment of the United States District Court.

Respectfully submitted,

FRANCIS M. PINCKNEY
SHEFTE, PINCKNEY AND SAWYER
3740 One First Union Center
301 South College Street
Charlotte, NC 28202-6020
(704) 375-9181

Attorneys for the Petitioner
Silstar Corporation of America, Inc.

Counsel of Record

APPENDIX

SHAKESPEARE COMPANY, Plaintiff-Appellant,

v.

SILSTAR CORPORATION OF AMERICA, INCORPORATED, Defendant-Appellee.

No. 92-2311.

United States Court of Appeals,
Fourth Circuit.

Argued March 31, 1993.

Decided Nov. 15, 1993.

Before WIDENER and NIEMEYER, Circuit Judges, and CHAPMAN, Senior Circuit Judge.

OPINION

CHAPMAN, Senior Circuit Judge:

This appeal presents an issue of first impression for this court: whether a district court considering cancellation, pursuant to s 37 of the Lanham Act (15 U.S.C. s 1119 (1988)), of a trademark that has been registered more than five years, and is incontestable pursuant to 15 U.S.C. s 1065 (1988), can order cancellation on the ground that the trademark is found to be functional, even though functionality is not one of the grounds set forth in 15 U.S.C. s 1064. We hold that Congress adopted 15 U.S.C. s 1119 to give the district court power concurrent with, but not in excess of, the Patent and Trademark Review Board and that the district court is also limited by the language of the statutes controlling the Board. We therefore hold that the district court improperly canceled the registration on

the ground of functionality because functionality is not one of the statutorily enumerated grounds upon which a trademark registered more than five years may be canceled.

FACTS

Shakespeare, a manufacturer of fishing rods, is located in Columbia, S.C. In 1976 Shakespeare inaugurated its immensely successful line of "Ugly Stik" fishing rods for both salt and fresh water fishing. About 80-90% of these rods, as well as some of Shakespeare's other rods, feature a section of solid fiberglass near the tip which appears clear or translucent. The "clear tip," as Shakespeare calls it, is the subject of this litigation.

The clear tip rods are manufactured in a two-stage process, which was perfected in the 1970's. First, a fiberglass cloth is wrapped around a hollow graphite tube. Second, fiberglass fibers are stretched lengthwise from the handle of the rod to the tip. Some of these fibers extend beyond the end of the graphite tube and form the solid fiberglass tip. This composition represented the culmination of a series of techniques developed by Shakespeare and it resulted in a superior rod that is both lightweight and very strong.

Before Shakespeare began production of the clear tip it had used polyester resin compatible fiberglass in its fishing rods. This type of fiberglass naturally solidifies into a whitish-frosty (not clear) color. In producing the clear tip rods, however, Shakespeare began to use epoxy resin compatible fiberglass because they found it to be the most compatible for use with the graphite tube. This

second type of fiberglass solidifies naturally into a clear or translucent color. The Ugly Stiks, and other Shakespeare rods using epoxy resin compatible fiberglass, therefore, feature a clear or translucent tip and a darker-colored rod.

On May 5, 1978 Shakespeare filed for registration of Trademark Registration number 1,261,786. That registration states: [Shakespeare] claims no proprietary right in the configuration of the fishing rod itself as a trademark when it lacks the whitish, translucent tip portion feature. The mark is used by applying it to the goods in that the mark is the color configuration of the fishing rod as shown in the drawing in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft. J.A. at 544.

Initially, the request for registration of the clear tip as a trademark was denied by the United States Patent and Trademark Office ("PTO"), which reasoned that the "mark appears to be in the nature of an ornamental design and, as such, does not serve the purpose of indicating origin of the goods in applicant." The PTO offered Shakespeare the opportunity to submit evidence that the clear tip was viewed in the marketplace as an indication that Shakespeare was the source of the rod. Shakespeare submitted copies of advertisements and catalogs as evidence that the clear tip had been promoted as a trademark of the company. It also submitted seven identical affidavits of buyers and retailers who testified that the clear tip "automatically" identified the rods as coming from Shakespeare.

The trademark was placed on the Principal Register on December 20, 1983.

On November 13, 1989, after it had been on the register for five years and other conditions had been satisfied, the trademark became "incontestable" pursuant to 15 U.S.C. s 1065 (1988).[1] Incontestability is "conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the mark in commerce." 15 U.S.C. s 1115(b) (1988).

In July 1990 Silstar Corporation ("Silstar"), a Korean-owned manufacturer of fishing rods, with its principal place of business in Lexington, South Carolina, introduced a line of fishing rods called the Silstar Power Tip Crystal rods. Shakespeare representatives testified they first became aware of this line through Silstar's advertisement in the July 1990 issue of Fishing Tackle Retailer. The Silstar rods featured a color combination, with a clear fiberglass section, similar to that of the Shakespeare clear-tip line.

Shakespeare instituted this action July 20, 1990 in the United States District Court for the District of South Carolina, Columbia Division. It asserted three claims against Silstar: trademark infringement under Section 32(1) of the Lanham Trademark Act of 1946 ("the Lanham Act"), 15 U.S.C. s 1114(1) (1988); unfair competition in

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[1] s 15 the Trademark Act of 1946 (Lanham Act), 60 Stat. 427, as amended, 15 U.S.C. s 1051 et seq. (1988). Citations to the sections of the Lanham Act have been deleted. All statutes cited can be found in the Lanham Act, Title 15 U.S.C. s 1051 et seq. (1988).

violation of Section 43(a) of the Lanham Act, 15 U.S.C. s 1125(a) (West 1982 & Supp.1993); and common law trademark infringement and unfair competition.

Silstar answered and defended on the grounds that its use of the clear tip was a "fair use" under s 1115(b)(4). Silstar also counter-claimed seeking cancellation of Shakespeare's trademark on the grounds that the mark was both functional and generic.

On July 20, 1990 Shakespeare also filed a motion for a temporary restraining order and for a preliminary injunction against Silstar's distribution of the Power Tip Crystal rods. These motions were heard by then District Judge Clyde H. Hamilton, who found the motion for TRO moot but granted Shakespeare a preliminary injunction.

After a bench trial March 19-20, 1992, 802 F.Supp. 1386, before Judge Dennis Shedd, the court dissolved the preliminary injunction, ruled in favor of Silstar on each of Shakespeare's claims, and canceled Shakespeare's trademark on the clear tip.

The District Court's reasoning may be summarized as follows: that there was no dispute that Shakespeare's trademark on the clear tip had become "incontestable" pursuant to s 1065; that such status was conclusive evidence of Shakespeare's ownership of the trademark and its right to control it, pursuant to s 1115(b); that Silstar could defend by proving that its use of the mark was a fair use because the mark was merely descriptive of its product; that Silstar's use of the clear tip was a fair use because the court found the clear tip was merely descriptive of the contents of the product, namely fiberglass; that Silstar was not using the clear tip as a trademark or in

bad faith; and that this determination rendered the trademark merely prima facie evidence of Shakespeare's right to own and control the clear tip. The court then found Silstar was entitled to raise equitable defenses to the infringement action under s 1115(a).

The court held that an element of a product that is functional is not subject to trademark protection, and that fiberglass was selected to compose the tip because it is the strongest, most practical material for the tip of a fishing rod. It found the clear tip to be functional because its very appearance communicates to the consumer that it is composed of fiberglass. Finding the clear tip to be functional and not intended to communicate a brand of origin, the district court concluded that it was required to cancel the trademark.

The district court's determination that there was no trademark infringement resulted in the dismissal of the dependent statutory claim for unfair competition, and the common law claims for trademark infringement and unfair competition.

I.

The issue is whether a district court, pursuant to its power under s 1119, can cancel the registration of a trademark on grounds not enumerated in s 1064, namely, "functionality," if the registration is more than five years old.

A.

Federal trademark protection was overhauled and consolidated with the passage of the Trademark Act of 1946 (Lanham Act), 60 Stat. 427, as amended, 15 U.S.C. s 1051 (1988), et seq. It was adopted to establish consistent nationwide protection for trademarks by creating a system of registration, by instituting safeguards for those trademarks registered for a period of time, and by setting forth an administrative process for infringement actions. *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193, 105 S. Ct. 658, 661, 83 L. Ed. 2d 582 (1985).

As previously noted, Shakespeare's trademark on the clear tip was placed on the principal register in 1983, and by the time of this lawsuit it had achieved incontestable status, pursuant to 15 U.S.C. s 1065. A registered trademark becomes incontestable after it has been registered and in continuous use for five years and meets four other requirements.[2]

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[2] That provision requires: (1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and (2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and (3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce and the other matters specified in paragraphs (1) and (2) of this section; and (4) no incontestable right shall be acquired in a mark which is the generic name of the goods or services or a portion thereof, for which it is registered. 15 U.S.C. s 1065.

Incontestability conferred on the registration is conclusive evidence of its validity and of Shakespeare's ownership of and exclusive right to use the trademark. 15 U.S.C. s 1115(b).[3] This section states that the conclusive

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[3] s 1115(b) states: (b) Incontestability; defenses to the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects: (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or (2) That the mark has been abandoned by the registrant; or (3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or (5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section

evidence is subject to certain defenses: " . . . equitable principles, including laches, estoppel, and acquiescence are applicable." Id. "If one of the defenses is established, registration constitutes only prima facie and not conclusive evidence of the owner's right to exclusive use of the mark." *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 199 n. 6, 105 S. Ct. 658, 664 n. 6, 83 L. Ed. 2d 582 (1985).

If a party attacking the validity of a registration seeks cancellation through the Trademark Trial and Appeal Board ("the Board") it is explicitly limited by ss 1115 and 1064.[4] An administrative attack on a registered trademark

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1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or (6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or (7) That the mark has been or is being used to violate the antitrust laws of the United States; or (8) That equitable principles, including laches, estoppel, and acquiescence, are applicable. 15 U.S.C. s 1115(b).

[4] 15 U.S.C. s 1064 states: s 1064 Cancellation of registration A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or

more than five years after the date of publication of its initial registration, regardless of whether it is

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the Act of February 20, 1905: (1) Within five years from the date of the registration of the mark under this chapter. (2) Within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905. (3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used. (4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 1062 of this title. (5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which

incontestable, may only be brought on grounds enumerated under 15 U.S.C. s 1064. Id. Therefore, s 1064 has been described as a kind of statute of limitations for actions seeking cancellation of marks registered for more than five years. 2 J. Thomas McCarthy on Trademarks and Unfair Competition s 20.15[1] at 20-91 (3rd Ed.1992).

In our case, however, Silstar sought cancellation in a responsive pleading in the district court, rather than through the Board. Pursuant to another provision of the Lanham Act, 15 U.S.C. s 1119, the district court is empowered to cancel registrations,[5] but s 1119 lists no grounds upon which a registration may be canceled and simply states the district "court may determine the right to registration. . . . " This raises the issue of whether the district court's authority to cancel under s 1119 is circumscribed by the same limitations that restrain the Board in an administrative cancellation proceeding.

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such mark certifies. Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required.

[5] Power of court over registration. In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby. 15 U.S.C. s 1119.

B.

This is a novel question and we have not found a case that squarely addresses this precise issue. However, the Supreme Court has given some guidance in the only case in which it has discussed s 1119, *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 105 S. Ct. 658, 83 L. Ed. 2d 582 (1985). Though the central issue in Park 'N' Fly differs from that of the case at bar, we consider it to be analogous and therefore worthy of consideration.

In *Park 'N' Fly* Petitioner operated, under the name, Park 'N' Fly, a chain of parking lots located in close proximity to airports in Cleveland, Houston, Boston, Memphis and San Francisco. 469 U.S. at 191, 105 S. Ct. at 660. Its trademarked name was registered and had attained incontestable status. Id. Respondent operated, under the name Dollar Park and Fly, parking services near the airport in Portland, Oregon. 469 U.S. at 192, 105 S. Ct. at 660. Petitioner brought this infringement action in the United States District Court for the District of Oregon, seeking to permanently enjoin respondent from use of the name Dollar Park and Fly. Id. In its response, respondent, inter alia, sought cancellation, pursuant to s 1119, of petitioner's trademark on two grounds: that it was a generic term and that it was merely descriptive. Id.

The district court found that the mark was not generic and that an incontestable mark was not susceptible to challenge on the basis of being merely descriptive. The court granted the permanent injunction against respondent's use of the phrase "Park and Fly." Id.

The U.S. Circuit Court of Appeals for the Ninth Circuit reversed, holding that incontestability cannot be

used as an offensive weapon in an infringement action. *Park 'N' Fly, Inc. v. Dollar Park & Fly, Inc.*, 718 F.2d 327, 331 (9th Cir.1983). The court acknowledged its view was in direct conflict with that of the Seventh Circuit, as expressed in *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), cert. denied, 429 U.S. 830, 97 S. Ct. 91, 50 L. Ed. 2d 94 (1976). The circuit court held that in order to enjoin another's use of a trademark, the holder of even an incontestable mark must show that it would continue to qualify for registration. Park 'N' Fly, 718 F.2d at 331. After determining that petitioner's mark was merely descriptive, the circuit court held that petitioner's mark would not be entitled to continued registration but for its incontestable status. Id. The court held that "a party can defend against the effect of federal registration by a showing that would suffice to cancel the mark in question were it not incontestable." Id. The circuit court therefore affirmed the district court's decision not to cancel the mark but reversed its decision to enjoin respondent from use of the mark. 718 F.2d at 332.

On appeal the Supreme Court recognized the split in the circuits over whether incontestability can be used offensively. Writing for the majority, Justice O'Connor stated that the Lanham Act clearly reflected that Congress contemplated that incontestability would be invoked by a registrant in an infringement action. 469 U.S. at 196, 105 S. Ct. at 662. The incontestability provisions . . . provide a means for the registrant to quiet title in the ownership of his mark. . . . This function of the incontestability provisions would be utterly frustrated if the holder of an incontestable mark could not enjoin infringement by others so long as they established that

the mark would not be registrable but for its incontestable status. 469 U.S. at 198, 105 S. Ct. at 663.

The Court held that a district court, entertaining an action for cancellation of a mark, is obliged to consider the limits of the Lanham Act. [T]he power of the courts to cancel registrations and "to otherwise rectify the register," s 37, 15 U.S.C. s 1119, must be subject to the specific provisions concerning incontestability. In effect, both respondent and the dissent argue that these provisions offer insufficient protection against improper registration of a merely descriptive mark, and therefore the validity of petitioner's mark may be challenged notwithstanding its incontestable status. Our responsibility, however, is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted. *Park 'N' Fly*, 469 U.S. at 203, 105 S. Ct. at 666.

If the power of the district court under s 1119 is implicitly constrained by the specific provisions of one subsection of the Lanham Act, s 1115(b), it is reasonable to conclude that it is limited by another related subsection, s 1064. The Court states that s 1064 does limit cancellation of a registration more than five years old, 469 U.S. at 197, 105 S. Ct. at 663, and this would be cancellation pursuant to s 1119 because the Court's inquiry was rooted in that context.

We are persuaded that the rationale enunciated by Justice O'Connor in *Park 'N' Fly* would apply so as to limit cancellation under s 1119 to the grounds set forth in s 1064. Functionality is not one of such grounds and it

may not be used as a basis for cancellation of a registration more than five years old.

We have considered the possibility that functionality invalidates a trademark at any stage of the process, and that registration offers no protection whatsoever to an invalid mark that should never have been registered in the first place. This is the position taken by Justice Stevens in his dissent in *Park 'N' Fly*, 469 U.S. at 206, 105 S. Ct. at 667. Justice Stevens argued that mere descriptiveness, the quality at issue in that case, invalidated the registration, 469 U.S. at 206-07, 105 S. Ct. at 667-68, and that incontestability could not be used as a shield behind which an invalid mark could hide. 469 U.S. at 211, 105 S. Ct. at 670. We find these arguments unpersuasive.

Perhaps the provisions of the Lanham Act apply only to valid trademarks, and that a functional trademark is invalid, but it would seem anomalous for Congress to enumerate specific grounds for cancellation for a five-year-old registration, as it has done in s 1064, and not list functionality, if it intended functionality to serve as such a ground. As Justice O'Connor stated, "[o]ur responsibility . . . is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted." 469 U.S. at 203, 105 S. Ct. at 666.

Prior to Park 'N' Fly the Eighth Circuit applied the same rule in *Wrist-Rocket Manufacturing Co. v. Saunders Archery Co.*, 516 F.2d 846, 852, (8th Cir.), cert. denied, 423 U.S. 870, 96 S. Ct. 134, 46 L. Ed. 2d 100 (1975), and held that the district court was not empowered, under s 1119, to cancel an incontestable trademark on the ground that

the original registration was obtained with false statements. 516 F.2d at 852. The court stated that the grounds for removing incontestable status are listed in s 1115(b). It also observed that one of the grounds listed in s 1115(b) is that the registration was obtained fraudulently. The court held that, although false statements were used, the registration was not made with the intent to defraud and was therefore not made fraudulently. In concluding that the district court canceled improperly, the court held the "specific language [of s 1115] limits the power of the District Court pursuant to . . . s 1119." Id.

In another line of cases this court and others have suggested an inclination to limit s 1119 with s 1064 in discussions of the purpose of s 1119. In *Durox Co. v. Duron Paint Mfg. Co.*, 320 F.2d 882 (4th Cir.1963), we stated, "[t]he authority given by [s 1119] to the courts over the respective rights of parties to trademark registrations is concurrent with the authority of the Patent office to conduct opposition and cancellation proceedings, and the remedies are not mutually exclusive." We explained that the purpose of s 1119 is to make it possible for trademark actions that include cancellation proceedings to be consolidated in the district court. More recently, the Third Circuit reiterated its position in a former case stating, "There the court said that proceedings in the patent office and [s 1119] are concurrent remedies. We, of course, agree." *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 874 (3rd Cir.1992) (citing Simmonds Aerocessories v. Elastic Stop Nut Corp., 257 F.2d 485 (3rd Cir.1958)).

C.

Our conclusion that the power of cancellation given to the district court by s 1119 is limited by s 1064, has support among the commentators.

In his treatise McCarthy on Trademarks and Unfair Competition, J. Thomas McCarthy states: Some courts have held that the civil courts are bound by the same grounds for cancellation as is the Patent and Trademark Office. There has been doubt expressed whether a court, pursuant to its inherent equity power, has the right to order cancellation of a registration over five years old for some ground other than that specified in the Act. The Supreme Court has observed that the power of federal courts under [s 1119] to cancel registrations "must be subject to the specific provisions concerning incontestability," which in turn incorporate the criteria of [s 1064] by reference. By implication, this means that a court in litigation is bound by the grounds for cancellation in [s 1064] (citing *Park 'N' Fly*). J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition s 30.32[4] at 30-162 (3rd Ed.1992) (citations omitted).

The commentator Siegrun D. Kane states, "[t]here is some dispute as to whether the limits placed on Patent and Trademark Office cancellation proceedings also apply to court proceedings. A coherent reading of the statute suggests that the grounds for cancellation should be the same in both forums." Siegrun D. Kane, Trademark Law 281 (2d Ed.1991).

Jerome Gilson, author of Trademark Protection and Practice, expressed the following view: The broad grant of judicial power in [s 1119] is not unlimited, however.

First, the court is still required to exercise reasonable judicial discretion. Thus, a trial court was found to have abused its discretion when it failed to order cancellation of a trademark which it had found to be generic. Second, a court exercising its power under [s 1119] is bound by the presumptions which accompany incontestability under [s 1065]. Jerome Gilson, Trademark Protection and Practice s 4.10[2] at 4-63 (revised 1989).

In conclusion, we hold that the district court erred in canceling, pursuant to 15 U.S.C. s 1119, the trademark held by Shakespeare on the grounds that it is functional, because that is not an authorized ground for cancellation under 15 U.S.C. s 1064. Since no other ground enumerated under s 1064 was alleged by Silstar, the mark is valid as a matter of law. We therefore reverse the district court and remand the case for further consideration of Shakespeare's statutory and common law infringement and unfair competition claims. We further instruct the district court that any inquiry into an alleged "fair use" of the clear tip must be accompanied by an analysis of the likelihood of confusion among consumers that may be created by Silstar's use of the clear tip.

REVERSED.

NIEMEYER, Circuit Judge, dissenting:

While the majority treats this case as if it involved solely the cancellation of a trademark registration, I respectfully submit that such an analysis overlooks the antecedent issue of whether an enforceable trademark exists. Moreover, the question of whether Shakespeare's registration may be canceled is analytically distinct from the question of whether a defense to its enforcement

exists, and the two are governed by different statutory provisions. The initial question, therefore, which is not addressed by the majority but which is dispositive of the case, is whether this court should enforce the trademark, not whether this court should cancel it (the relief prayed for in the counterclaim). When the doctrine of functionality, the full extent of which is not articulated in the majority's opinion, is applied, the judgment of the district court must be affirmed.

The doctrine of functionality is an extra-statutory doctrine, neither defined nor limited by the express provisions of the Lanham Trademark Act, which denies a perpetual monopoly of that which is functional. Despite the absence of a textual basis for this doctrine, it is integrated into the Act because of the presumption that Congress did not intend to upset the well-established principle that trademark protection is inapplicable to the functional. The doctrine of functionality is a public policy trump card that may be played against an otherwise valid trademark, not an element to be considered in determining a mark's validity. Even if every presumption is made in favor of the existence of a trademark – that the mark enables determination of source, that it distinguishes the relevant goods, and that it has secondary meaning – these factors will not allow a functional feature to be monopolized beyond the limits imposed by the law of patents in compliance with the Constitution. See U.S. Const., art. I, s 8, cl. 8 (empowering Congress to grant exclusive rights to inventions only for "limited times"). As is shown below, the law is properly summarized by texts that teach:

Even if a functional feature has achieved consumer recognition (secondary meaning) of that feature as an

indicia of origin, the feature cannot serve as a legally protectable symbol. *J. Thomas McCarthy, Trademarks and Unfair Competition, s 7.26 (3d ed. 1992).*

Before discussing the nature of the doctrine of functionality, I must revert to the facts and the findings of the district court which place the case before us directly under the doctrine.

I

For years fishing rods have been made from fiberglass, both hollow and solid. Hollow fiberglass rods are lighter and less expensive than solid ones, but they also are more inclined to break, particularly at the tip. While solid rods are stronger, they are also heavier and more expensive than hollow ones. Shakespeare Company, one of the leading manufacturers of fishing rods, developed a process to make use of the benefits of each type of rod by combining a hollow fiberglass base with a solid fiberglass tip.

With the introduction of graphite in the mid-1970's, Shakespeare developed yet a stronger and lighter rod by using a hollow graphite base with a solid fiberglass tip, and it obtained a patent on the process of combining the graphite base with a fiberglass tip. Consequently, for years only Shakespeare sold rods with hollow graphite bases and solid fiberglass tips. The natural color of the graphite was charcoal gray and that of the fiberglass was clear or a whitish translucence.

While Shakespeare was at first troubled by the lack of aesthetic value in the two-colored rod, with its acceptance by consumers Shakespeare sought to capitalize on its homely appearance, denominating it the "Ugly Stik."

Shakespeare applied to the Patent and Trademark Office for registration of marks for the name and the appearance of the rod. The Patent and Trademark Office granted both. The mark covering the appearance of the rod claims exclusive right to market a rod in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft. United States Trademark Registration No. 1,261,786 (registered on the principal register). To enhance the appearance of the rod, Shakespeare added dye to darken the rod's gray base and made efforts to clarify the resin in the tip. These changes, however, are not material to the issues in this case, because Shakespeare's mark extends beyond rods so altered and through it Shakespeare seeks to preclude Silstar Corporation of America, Inc., a competing manufacturer of rods, from selling a rod with a hollow graphite base and a fiberglass tip – a rod in which both graphite and fiberglass materials have been left with their natural appearance.

With the expiration of Shakespeare's patent for the process of manufacturing a hollow graphite rod with a solid fiberglass tip, Silstar began manufacturing similar rods to obtain the same functional benefits. Silstar, however, used a method of manufacture different from that covered by Shakespeare's patent. Silstar contends it chose to leave the graphite and fiberglass materials with their natural appearance "in order that the consumer will

understand and appreciate the qualities which the rod possesses and because it is the easiest, least expensive and most desirable method of making its rod."

When Silstar's rod first appeared under the name Silstar Power Tip Crystal rod, Shakespeare asserted that it owned a trademark in the appearance of a rod with a gray base and clear tip like Silstar's. Moreover, it noted that its mark had been published by the trademark office for over five years and had become incontestable under 15 U.S.C. s 1065. In response to Silstar's contention that Shakespeare could not claim a mark in the functional design of the rod, Shakespeare argued that once a mark becomes incontestable, it cannot be canceled by the court under 15 U.S.C. s 1119, because Congress did not provide an express exception to incontestability under 15 U.S.C. ss 1065 & 1115, based on the fact that a mark is a functional design. The district court disagreed and ordered that the mark be canceled.

The facts which the district court found following trial and on which it based its opinion are critical because they are amply supported by the evidence in the record, and the majority opinion accepts them for the basis of its decision, as do I.

The district court found that after Shakespeare developed the process of manufacturing a hollow graphite rod with a solid fiberglass tip, it sold the rod for approximately one year with the natural appearance "which resulted from the manufacturing process." The base was charcoal gray, the natural color of graphite, and the tip was "whitish-translucent, or clear," which is the natural color of fiberglass. The court found that Shakespeare

chose to market the rod with the two-color appearance so that "consumers could see and identify the unique appearance of the rod and recognize the enhanced features of the graphite base and the solid fiberglass tip. The appearance of the enhanced features derived from the natural colors of the materials used." While Shakespeare enhanced the natural colors, the mark it claims covers the materials with their natural appearance: The mark is used by applying it to the goods in that the mark is the color configuration of the fishing rod as shown in the drawing in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft. The court found that the appearance described in the trademark was the natural appearance of the functional features of a graphite rod with a solid fiberglass tip and to alter this natural appearance would impose additional costs on a manufacturer. The court concluded about the Shakespeare mark: In this case there is no alternative design to Shakespeare's mark which would be as effective in communicating to consumers the fact that the rod is made of a graphite base and a solid fiberglass tip since the clear tip and opaque base represent the natural colors of the graphite and fiberglass resin which compose the rod. To allow Shakespeare to have a perpetual monopoly on the color configuration would unquestionably hinder competition since it would preclude all competitors from using the natural and most effective means of marketing their products, and would require them to use a less effective and more costly method. The court found that Silstar's Power Tip Crystal rod, other than having the same color of the graphite base

and fiberglass tip, was significantly different from Shakespeare's in appearance. It found that Silstar chose to leave the graphite and fiberglass in their original state in order that "consumers can see and understand the qualities the rod possesses." The court concluded similarly, "whatever attention is drawn to the clear tip on the [Silstar] Power Tip Crystal rod serves merely to inform a prospective purchaser of the components and attributes of the rod."

Having found that Shakespeare's mark is nothing more than the manifestation of its functional features and therefore not subject to registration, i.e. it is nothing more than the natural appearance of functional materials used in their most inexpensively displayed state, the district court ordered the Commissioner of Patents and Trademarks to cancel Shakespeare's mark for the two-colored rod.

II

Preservation of the freedom to copy functional features is the issue in this case. This freedom has constitutional, statutory, and common law underpinnings. It is this freedom which the doctrine of functionality embodies.

Perhaps the most forceful and analytically complete statement of the doctrine of functionality is found in *In re Deister Concentrator Co.*, 289 F.2d 496 (C.C.P.A.1961). In Deister, the Court of Customs and Patent Appeals refused registration of a rhombohedral coal sorting table because the court found the shape to be dictated by functional

concerns. The court noted that while the table's rhombohedral shape may well have acquired secondary meaning with the public, what appellant fails to take into account is that as to some words and shapes the courts will never apply the "secondary meaning" doctrine so as to create monopoly rights. The true basis of such holdings is not that they cannot or do not indicate source to the purchasing public but that there is an overriding public policy of preventing their monopolization, of preserving the public right to copy. A certain amount of purchaser confusion may even be tolerated in order to give the public the advantages of free competition.

* * *

It seems to us that this case perfectly exemplifies what we mean by a functional or utilitarian shape which is incapable of acquiring a legally recognizable "secondary meaning" or of becoming an enforceable trademark for the simple reason that, absent patent protection, the public has the right to copy the shape and enjoy its advantages. Under no circumstances can it be accorded the legal protection to which trademarks are entitled. This being so, there is no need to consider the extensive efforts made by the use of what appellant calls advertising "gimmicks" featuring "rhomboidal" shapes or otherwise, to turn this outline shape of the goods, per se, into a registrable mark. It has attempted the impossible. 289 F.2d at 505.

The Court of Customs and Patent Appeals later succinctly and forcefully restated its holding in Deister as follows: In our Deister opinion we pointed out that, in line with consistent decisions of the United States

Supreme Court and other courts, nothing which the public has or would have a right to copy, in the absence of valid patent or copyright protection, can be the subject of a valid trademark registration and that this is so irrespective of public acceptance of the subject matter sought to be registered as an indication of source. We pointed out that this is a fundamental principle of the law of trademark ownership which is outside the provisions of the trademark statute (the Lanham Act), to which the provisions of that statute are subservient. We also pointed out that the principle applies without regard to the effort or money expended in an attempt to create trademark rights in something which the public has or will have the right to copy. In re Pollak Steel Co., 314 F.2d 566, 567 (C.C.P.A.1963).

The successor to the Court of Customs and Patent Appeals, the Federal Circuit, has made clear that the functionality defense is based on the vindication of the public's right to copy and is brought into play only after the elements of trademark ownership have been established. In *Black & Decker, Inc. v. Hoover Service Center*, 886 F.2d 1285 (Fed.Cir.1989), the court laid out some basic principles related to the functionality defense while vacating a clearly erroneous finding that the shape of a hand-held vacuum's bowl was functional: The Court of Appeals for the Second Circuit, whose law we apply to a denial of an injunction against trademark infringement in that Circuit, has stated that the accused infringer bears the burden of establishing the functionality defense, a defense created to insure its right to compete effectively by adopting the configuration claimed as a trademark. Thus the defense arises out of public policy and only

after plaintiff has shown a basis for claiming a trademark right in the configuration. When upheld, the defense turns the balance against the risk of consumer confusion and in favor of competition by permitting others to use the configuration when, because of its functionality, they must do so to compete efficiently and thus effectively. That result has been stated as "functional features cannot be trademarks." See J. McCarthy, Trademarks and Unfair Competition s 7:26 (2d ed. 1984). Proof that a configuration of goods is functional in the legal sense is a complete defense to establishment of a trademark right that a plaintiff would otherwise have in that configuration. *Black & Decker*, 886 F.2d at 1291 (emphasis added; some citations omitted); see also *In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1336-37 (C.C.P.A.1982) (trademarks for product designs are limited to "nonfunctional" features); *In re Water Gremlin Co.*, 635 F.2d 841, 843-44 (C.C.P.A.1980) (same).

The Third Circuit has also set out the rationale for the doctrine of functionality at some length, in the context of denying trade dress protection to a roofing seam found functional: To allow indefinite trademark protection of product innovations would frustrate the purpose of the limited duration of patents to foster competition by allowing innovations to enter the public domain after seventeen years. As the United States Supreme Court stated nearly a century ago: It is self evident that on the expiration of a patent the monopoly created by it ceases to exist, and the right to make the thing formerly covered by the patent becomes public property. It is upon this condition that the patent is granted. It follows, as a matter of course, that on the termination of the patent

there passes to the public the right to make the machine in the form in which it was constructed during the patent. *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185, 16 S. Ct. 1002, 1008, 41 L.Ed. 118 (1896). *Merchant & Evans, Inc. v. Roosevelt Bldg. Products Co.*, 963 F.2d 628, 633-34 (3d Cir.1992).

While the doctrine of functionality facilitates the copying of functional ideas, behavior which might appear to some to be unattractive, copying furthers competition that is key to our chosen economic system, a system which does not leave room only for conduct that is genteel. Indeed, the Supreme Court has observed that the limited time periods given to patentees by the Constitution and our patent laws create "a federal right to copy and to use." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165, 109 S. Ct. 971, 985, 103 L. Ed. 2d 118 (1989). Judge Medina once reflected on the harshness of our system's practice of allowing copying of that which is in the public domain, even when such copying results in one party benefiting from the labor of another: [A]t first glance it might seem intolerable that one manufacturer should be allowed to sponge on another by pirating the product of years of invention and development without license or recompense and reap the fruits sown by another. Morally and ethically such practices strike a discordant note. It cuts across the grain of justice to permit an intruder to profit not only by the efforts of another but at his expense as well. But this initial response to the problem has been curbed in deference to the greater public good. For imitation is the life blood of competition. It is the unimpeded availability of substantially equivalent units that permits the normal operation

of supply and demand to yield the fair price society must pay for a given commodity. Unless such duplication is permitted, competition may be unduly curtailed with the possible resultant development of undesirable monopolistic conditions. The Congress, realizing such possibilities, has therefore confined and limited the rewards of originality to those situations and circumstances comprehended by our patent, copyright, and trade-mark laws. When these statutory frameworks are inapplicable, originality per se remains unprotected and often unrewarded. For these reasons and with these limitations the bare imitation of another's product, without more, is permissible. And this is true regardless of the fact that the courts have little sympathy for a wilful imitator. *American Safety Table Co. v. Schreiber*, 269 F.2d 255, 271-72 (2d Cir.), cert. denied, 361 U.S. 915, 80 S. Ct. 259, 4 L. Ed. 2d 185 (1959).

The doctrine of functionality is well established and has long been applied, drawing its strength from constitutional underpinnings. Article I, section 8, clause 8 of the U.S. Constitution empowers Congress, "To Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." This formulation, stressing the limited time for which rights in discoveries are to be secured, was a direct response to the long history of British grants of private monopolies. The doctrine of functionality furthers this constitutional value, as well as conforming trademark law to Congress' statutory scheme set forth to govern patents. As the Supreme Court has explained, patent law has three goals: First, patent law seeks to foster and reward invention; second, it promotes disclosure of inventions to stimulate

further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262, 99 S. Ct. 1096, 1099, 59 L. Ed. 2d 296 (1979). Two of these – the preservation of free use of functional ideas in the public domain and the passage of technology to the public sphere upon a patent's expiration – are potentially at odds with trademark law. Only through strict observation of the doctrine of functionality may the courts avoid frustration of the congressional policies underlying patent law, which provides for the passage of utilitarian product features into the public realm within a set time frame. Patent law was intended by Congress to be the sole source of protection for functional features. The three other areas of intellectual property law – trademark, copyright, and design patent – share the basic policy of the functionality doctrine: that the public interest in free competition prohibits functional or utilitarian product features from achieving protection beyond that offered by the patent laws. 1 Jerome Gilson, Trademark Protection and Practice s 2.14 (1993).

Three major Supreme Court cases have articulated the constitutional policy of denying perpetual protection to functional innovations, *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 84 S. Ct. 784, 11 L. Ed. 2d 661 (1964), *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S. Ct. 779, 11 L. Ed. 2d 669 (1964), and *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S. Ct. 971, 103 L. Ed. 2d 118 (1989). In each of these cases the Court invalidated state-created grants of perpetual protection to

functional designs under state unfair competition law, holding such grants inconsistent with the Supremacy Clause because of the manifested congressional intent to limit protection of such inventions to those protections provided in the patent law. Although the Sears-Compco-Bonito Boats trilogy does not directly control this case, it stands for the general principle that there is a strong federal policy against granting perpetual private rights in functional designs. In passing the Lanham Act, Congress intended neither to repudiate this policy nor to disturb the traditional exclusion from trademark protection of functional features.

Guidance in the inquiry into the bounds of the functionality doctrine is found in the fundamental theory underlying trademark protection. The presumption is that everyone has the right to use expressions, though Congress may grant a monopoly over particular usages to encourage trade. *In re Deister Concentrator Co.*, 289 F.2d 496, 501-02 (C.C.P.A.1961). The fundamental goals of the Lanham Act are in no way compromised by its recognition of the doctrine of functionality. Those goals are explicitly stated by the Act: The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-

marks, trade names, and unfair competition entered into between the United States and foreign nations. 15 U.S.C.A. s 1127. These goals were restated by the Supreme Court in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 105 S. Ct. 658, 83 L. Ed. 2d 582 (1985): The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. See S.Rep. No. 1333, at 3, 5. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation. Id., at 4. 469 U.S. at 198, 105 S. Ct. at 663.

The incontestability rights created by the Lanham Act are intended only to further these goals. Incontestability increases a producer's certainty that it will be able to retain the benefits of the good reputation it builds for itself, and thereby promotes the Lanham Act's fundamental goal of fostering competition. Id. (discussing relevant statutory history). The purpose of incontestability is to "provide a means for the registrant to quiet title in the ownership of his mark." Id. This property metaphor is a common one, with incontestability often being compared to adverse possession – both establish title through lack of opposition. The failure to contest ownership waives an attack on title to real property; it does not, however, create property in that which is not subject to ownership. By the same token, the fact that title in a trademark is quieted does not imply that the value of that title has somehow increased. If title to a trademark was useless at

the outset, as is title to a trademark in a functional feature, it remains so even if conclusively established.

III

The well supported findings of the district court may be summarized to conclude that the appearance of the Shakespeare rod resulted solely from the natural appearance of materials assembled for the purpose of providing a lighter and stronger fishing rod. The invention was to attach a clear fiberglass tip to a hollow graphite base – with materials selected for their function and not appearance. Consistent with the natural appearance of the materials – fiberglass (a whitish translucence) and graphite (an opaque charcoal gray) – Shakespeare's trademark claims exclusive right to sell a rod that has a "whitish, translucent" tip and any "opaque" base. Thus, when Silstar manufactured a rod, assembling the same materials for the same functional purpose, Shakespeare brought suit even though Silstar left the materials in their original appearance and used the least expensive method of manufacture. It is uncontrovertible that this appearance is nothing more than a manifestation of the product's functional design, as found by the district court.

There are at least three different ways in which the two-tone appearance feature in which Shakespeare claims its trademark is functional: (1) it is uniquely effective in communicating to the public that high-quality materials, fiberglass and graphite, are included in the product; (2) it is the cheapest form in which the product may be produced (additional expense is involved in disguising the product's natural appearance, as the district court found

as a fact); and (3) its appearance is the natural byproduct of a strong, light, and efficient design chosen for practical, not aesthetic, reasons. Each aspect alone would leave the appearance unprotectable. See, e.g., W.T. *Rogers Co. v. Keene*, 778 F.2d 334, 339 (7th Cir.1985) ("a functional feature is one which competitors would have to spend money not to copy but to design around. . . . "); *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1189 (7th Cir.1989) (same); *Best Lock Corp. v. Schlage Lock Co.*, 413 F.2d 1195, 1199 (C.C.P.A.1969) ("It is settled law that a configuration of an article cannot be registered as a trademark if the purpose of the configuration is to contribute functional advantages to the article in which it is embodied or if the configuration results from functional considerations.")

The Court of Customs and Patent Appeals has decided a case analogous to this one, involving whether a design consisting of the even application of a reflective substance to the tips of fenceposts could constitute a trademark or was barred from such recognition by its functionality. While the applicant argued that other manufacturers could easily make use of this technology while distinguishing their posts by applying the reflective substance in a distinctive pattern (such as a spiral), this argument was soundly rejected: Here we have appellant's admission that reflective coating on the top of a fence post is functional. Here we have the ultimate contention that all appellant relies on for registrability in this case is the distinctiveness of its "design." The short answer is that there is no design. While the argument recites a number of possible arbitrary designs, appellant's own design is chimerical. The solicitor's brief contains a very

practical answer to this argument, of which we approve, and which occurred to us independently, as follows: In this case, a simple method of applying the functional reflective coating to the functionally designed metal post is to suspend the post top-downwards and dip it into the coating supply. This method of coating will inevitably produce the coating design shown in appellant's drawing. To permit appellant to assert trademark rights in its alleged mark would clearly have the effect of unjustifiably giving appellant a perpetual monopoly on the simplest and cheapest use of a simple process of applying a functional reflective coating to a functionally designed metal fence post. *In re Pollak Steel Co.*, 314 F.2d 566, 570 (C.C.P.A.1963).

The majority opinion would not appear to take issue with the conclusion that Shakespeare's mark is functional. Indeed, it appears to embrace it, concluding only that functionality is not a statutory ground for cancellation. "Functionality is not one of such grounds [statutorily given for cancellation] and it may not be used as a basis for cancellation of a registration more than five years old." Majority at 1097.

IV

The majority's focus on cancellation diverts attention to a non-determinative issue – whether the scope of the federal courts' power to cancel registrations is coterminous with that of the patent office. The federal courts are granted broad equitable powers over trademark registrations by 15 U.S.C. s 1119: In any action involving a registered mark the court may determine the right to

registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby. The majority cites many authorities for the proposition that this authority granted the courts is concurrent with that of the patent office. This may well be true as a general matter, but the present case involves a claim that that office has attempted an act beyond its power and undertaken actions repugnant to federal policy as expressed by the Constitution and statutory enactments. None of the authorities cited deals with such a situation, rendering their broad statements dicta insofar as they are phrased to seem relevant to this very different situation.

That the federal courts, in enforcing a trademark, are allowed to assess independently whether that trademark is permissible as a matter of law seems to me to flow from the judicial power described in *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 2 L.Ed. 60 (1803). As important, the doctrine of functionality, which goes to the question of whether an enforceable trademark ever existed, was never rejected by the Lanham Act. On the contrary, it is tacitly embraced, and every court that has considered the doctrine has so assumed. To conclude otherwise would imply that Congress intended to alter the underlying constitutional policies of restricting monopolies on function to promote copying and competition.

Whether this court should order cancellation of the plaintiff's trademark on the grounds of functionality is a

secondary, not a dispositive, question. Even if the registration is allowed to stand, that does not preclude us from denying enforcement of a mark when such enforcement would be repugnant to the policies embodied in this nation's laws. I would affirm the district court's judgment on the grounds that because of its functionality, Shakespeare's trademark cannot be enforced.

For the reasons given, I respectfully dissent.

SHAKESPEARE COMPANY, Plaintiff,

v.

SILSTAR CORPORATION OF AMERICA, INC., Defendant.

Civ. A. No. 3:90-1695-19.

United States District Court,

D. South Carolina,

Columbia Division.

Sept. 24, 1992.

MEMORANDUM OPINION AND ORDER

SHEDD, District Judge.

Shakespeare Company ("Shakespeare"), a manufacturer and distributor of fishing rods, is the owner of a federally registered trademark for fishing rods consisting of a whitish-translucent, or clear, tip portion of the rod, combined with an opaque rod base. Shakespeare uses this mark on a variety of types of rods it markets under its "Ugly Stik" line of rods. Shakespeare commenced this action to enjoin Silstar Corporation of America, Inc.'s ("Silstar") attempt to market a fishing rod known as the "Silstar Power Tip Crystal" rod, which has a color configuration similar to that covered by Shakespeare's trademark. Shakespeare asserts three claims for relief: trademark infringement under Section 32(1) of the Lanham Trademark Act of 1946 ("the Lanham Act"), 15 U.S.C. s 1114(1); unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. s 1125(a); and common law trademark infringement and unfair competition.

Silstar asserts in defense that its use of the clear tip is a fair use and that Shakespeare is precluded from enforcing any rights under the registered trademark based on the doctrine of unclean hands. Silstar has also filed a counterclaim seeking damages and cancellation of Shakespeare's mark, in which it contends that Shakespeare's mark is invalid because the clear tip is both a functional feature and generic of the type of fishing rods at issue, and because the clear tip mark simply consists of two contrasting colors. Silstar further contends that Shakespeare, by allowing third-party manufacturers to sell customized rods on its clear-tipped rod blanks, has not only misrepresented the source of some clear-tipped rods, but has also destroyed any secondary meaning which the mark may have had.

By Order dated October 5, 1990, then District Judge (now Circuit Judge) Clyde H. Hamilton, to whom this case had been assigned, granted Shakespeare's motion for a preliminary injunction, finding that Shakespeare was likely to succeed on its trademark infringement claim. Judge Hamilton enjoined Silstar from "distributing, marketing, advertising, promoting, holding for sale, or selling" either the Silstar Power Tip Crystal rod or any rod bearing or using any colorable imitation or confusingly similar facsimile of Shakespeare's clear-tip rod trademark during the pendency of this action. Judge Hamilton also required Shakespeare to post bond in the amount of $25,000 as security for the payment of costs and damages that Silstar may incur or suffer in the event that the injunction is later determined to have been erroneously issued. See Fed.R.Civ.P. 65(c).

The Court tried this case without a jury on March 19-20, 1992. After thoroughly reviewing the record and carefully considering the controlling legal principles, the Court concludes that Silstar's use of the clear tip is a fair use and, therefore, Silstar is entitled to prevail on Shakespeare's claims. The Court further concludes that the clear tip is a functional feature of the fishing rods involved in this case. In light of this latter conclusion, the Court will order the Commissioner of the Patent and Trademark Office ("PTO") to cancel Shakespeare's trademark.

I. FINDINGS OF FACT

Based on the evidence presented at trial,[1] the Court makes the following findings of fact[2] pursuant to Rule 52(a) of the Federal Rules of Civil Procedure:

1. Shakespeare is a Delaware corporation with its principal place of business in Columbia, South Carolina. Shakespeare manufactures, distributes and sells fishing tackle equipment, including fishing rods.

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[1] Shakespeare presented five witnesses, either in person or by way of deposition, and introduced 96 exhibits into evidence. Silstar presented four witnesses and introduced 41 exhibits into evidence. Several of the exhibits consist of multiple articles or documents. The majority of the exhibits were introduced without objection and many of the facts purportedly shown in the exhibits were stipulated to be undisputed.

[2] To the extent that any of the following findings of fact more properly constitutes a conclusion of law, it shall be deemed as such. Likewise, to the extent that any conclusion of law more properly constitutes a finding of fact, it shall be so deemed.

2. Since 1976, Shakespeare, as part of its Ugly Stik line of rods, has manufactured, advertised, distributed, and sold rods with a whitish- translucent, or clear, tip and an opaque base. Shakespeare is the owner of United States Trademark Registration number 1,261,786, which is registered on the Principal Register. Shakespeare's trademark provides in pertinent part: [Shakespeare] claims no proprietary right in the configuration of the fishing rod itself as a trademark when it lacks the whitish, translucent tip portion feature. The mark is used by applying it to the goods in that the mark is the color configuration of the fishing rod as shown in the drawing in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft. This trademark is the subject of this lawsuit.

3. Shakespeare has sold millions of Ugly Stik rods, making the Ugly Stik its biggest selling and most profitable line of rods. Shakespeare sells Ugly Stiks for freshwater and saltwater use, with freshwater rods comprising approximately 85-90% of Shakespeare's annual sales. The large majority of freshwater Ugly Stiks have clear tips, while most saltwater Ugly Stiks do not. Approximately 80-90% of all Ugly Stiks have clear tips. The length of the clear tip on these rods varies depending on the type of action for which the rod is designed. In many instances, the clear tip extends above or below the second line guide.

4. Silstar is a South Carolina corporation with its principal place of business in Lexington, South Carolina. Silstar is owned by Silver Star, a Korean corporation that

manufactures fishing rods. Silstar sells rods manufactured by Silver Star in competition with Shakespeare.

5. Until the late 1940s, fishing rods were made primarily of steel or bamboo; however, during that period, fiberglass rods were introduced into the market. For many years thereafter, fiberglass was the primary material from which fishing rods were made. Fiberglass rods consisted of two types: solid and hollow. The advantage of solid fiberglass rods was their strength. The disadvantage was their expense and weight. Hollow fiberglass rods were less expensive and lighter than solid fiberglass rods, but they were also less durable since they tended to break more easily, especially at the tip, which is the most vulnerable part of the rod. The fiberglass rods were predominantly white in color.

6. Shakespeare was one of the first companies that developed a process for making a hollow fiberglass rod with a solid fiberglass tip. This process is called the "Howald process"[3] and involves essentially two steps: first, a fiberglass cloth is wrapped around a steel mandrel to form the hollow core of the rod; and second, longitudinal fiberglass fibers are placed along the length of the rod and extended beyond the hollow core, thereby forming a solid fiberglass tip.

7. The Howald process produced a white, hollow fiberglass tube with a white, solid fiberglass tip. The

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[3] Shakespeare actually uses the term "Howald process" to refer to separate processes developed by Arthur Howald and Arthur Scott.

Howald process rods had solid fiberglass tips very similar to the Ugly Stik, except for the color, and were a vast improvement over entirely hollow fiberglass rods; however, they still suffered from being weaker than solid fiberglass rods.

8. The Howald process was the subject of various patents. Because of the protection afforded by these patents, which have now expired, Shakespeare was for many years one of the only manufacturers to offer hollow rods with solid fiberglass tips.

9. The Ugly Stik rods which bear Shakespeare's trademark are made of a hollow graphite tube and a solid fiberglass tip. The process of making this type of rod was developed by Monroe Lindler, a former engineer for Shakespeare, and is the subject of the Lindler U.S. Patent No. 4,061,806, which was issued on December 6, 1977. Lindler's development of the process for manufacturing Ugly Stik rods is the result of his adaptation of the Howald process.

10. At the time that Lindler developed his process, graphite was expensive; however, Lindler experimented with it because of its extreme strength and lightness. After unsuccessfully trying several different graphite combinations, Lindler used graphite in the Howald process and the result was a rod which was significantly stronger than Shakespeare's rods at that time. The use of graphite substantially improves the strength of the rods compared to fiberglass rods, while still maintaining the light weight which is desirable to fishermen.

11. Prior to the development of the Ugly Stik, neither Shakespeare nor any other rod distributor manufactured or sold rods with a clear fiberglass tip.

12. Shakespeare sold the Ugly Stik with the natural appearance which resulted from the manufacturing process for approximately one year. The graphite base was charcoal gray, which is the natural color of graphite and the tip was whitish-translucent, or clear, which is the natural color of the fiberglass and resin combination used by Lindler.

13. The natural color of resin, which is the liquid component which subsequently becomes solid and holds the rod together, depends on the type of curing agents and chemicals used; it is not necessarily clear.

14. In manufacturing rods, there are only two types of fiberglass which may be used: polyester resin compatible fiberglass or epoxy resin compatible fiberglass. Prior to the Ugly Stik, Shakespeare used polyester resin compatible fiberglass, the natural unpigmented color of which is a whitish- frosty (not clear) color. For the Ugly Stik, Shakespeare used epoxy resin compatible fiberglass because this is the best fiberglass and resin for use with graphite in the manufacturing process. Shakespeare did not add or subtract any pigment to the resin and did not intentionally design the process to create a clear tip.

15. The index of light refraction through the specific resin and fiberglass fiber used by Shakespeare for the Ugly Stik causes the tip to be clear. The clear tip is the natural appearance of the combination of fiberglass and the resin most suited for use on the rod.

16. After manufacturing and selling the Ugly Stik for one year, Shakespeare's sales department objected to the appearance of the unpigmented rods because it was not absolutely uniform. Instead, some rods had frosty streaks on the base which could not be controlled in the manufacturing process. In an effort to increase the aesthetics of the Ugly Stik, Shakespeare added a resin bath in the manufacturing process to pigment the fibers used for the rod base. However, Shakespeare did not pigment the tip.

17. Shakespeare recognized from the first Ugly Stik that it was stronger than other hollow rods because it has graphite instead of fiberglass in the first layer of material. Shakespeare felt that the Ugly Stik was superior to other rods because it was light yet resisted breaking at the tip.

18. Because the Ugly Stik rods with the clear resin were strong and had a distinctive appearance compared to other rods, Shakespeare deliberately chose to market the rods with that appearance so that consumers could see and identify the unique appearance of the rod and recognize the enhanced features of the graphite base and the solid fiberglass tip. The appearance of the enhanced features derived from the natural colors of the materials used.

19. The color of a rod or tip has no bearing on how a rod performs. However, there is clearly an advantage in communicating to consumers the fact that a rod is made of graphite with a solid fiberglass tip, and the best method of communicating this fact is by marketing the rod with the clear tip and opaque base. Coloring the rod

or the tip obscures the fact that the rod is made out of graphite and has a solid fiberglass tip.

20. It is cheaper to produce rods with clear tips than to produce rods with colored tips.

21. Shakespeare first sought to register as a trademark the clear tip color configuration for its rods with the PTO on May 5, 1978, when it filed an application for trademark registration.

22. On January 19, 1979, the PTO refused Shakespeare's request for registration on the Principal Register stating that the mark "appears to be in the nature of an ornamental design and, as such, does not serve the purpose of indicating origin of the goods in [Shakespeare]." The PTO indicated that if Shakespeare "contends that its design does function as a mark, this application will be further considered upon receipt of evidence showing that the design has been promoted as a trademark and that it is recognized as an indication of the origin of applicant's goods."

23. On June 5, 1979, Shakespeare responded to the PTO by submitting evidence that the color configuration had been promoted as a trademark in numerous publications. Shakespeare also submitted the affidavits of seven buyers and owners of sporting goods stores in which the affiants stated essentially that they were familiar with various brands and types of fishing rods and that they felt the clear tip of Shakespeare's rods were distinctive and made the rods easily and "automatically" identifiable as those of Shakespeare.

24. The PTO responded on April 9, 1980, by informing Shakespeare that the mark was capable of registration under Section 2(f) of the Lanham Act (15 U.S.C. s 1052(f)). The PTO requested that Shakespeare seek registration under this section and instructed Shakespeare to "state that its mark has become distinctive as supported by a separate showing."

25. Shakespeare amended its application on May 15, 1980, in accordance with the PTO's instruction.

26. On June 17, 1980, the PTO placed Shakespeare's mark on the Supplemental Register and designated it Registration Number 1,137,112. Thereafter, on August 15, 1981, the PTO advised Shakespeare that its claim of distinctiveness was "substantively acceptable" and instructed Shakespeare to have a corporate officer verify the claim.

27. In reply, Shakespeare, on September 15, 1981, submitted the affidavit of Bert Rost, then Vice President of Shakespeare, in which he stated that he believed Shakespeare to be the owner of the mark it sought to register, that to his knowledge no one else had the right to use the mark in identical form or in a form likely to cause confusion or deceive, and that "the mark [had] become distinctive of [Shakespeare's] goods, as evidenced by the showing submitted separately during prosecution of the subject Application."

28. On December 22, 1981, the PTO issued notice of publication of Shakespeare's requested mark in the Official Gazette, and on December 20, 1983, the PTO granted Shakespeare's application and placed its mark on the Principal Register.

29. Shakespeare's trademark became incontestable under the provisions of 15 U.S.C. s 1065 on November 13, 1989.

30. In 1988, Shakespeare filed suit against Silstar in this district alleging causes of action similar to those alleged in the present lawsuit in response to Silstar's display of the "Silstar Power Tip" rod, a rod with a clear tip and an opaque base, at the 1988 annual trade show of the American Fishing Tackle Manufacturers Association ("AFTMA"). *See Shakespeare Co. v. Silstar Corp. of Am.*, C.A. No. 3:88-1995-15. Shakespeare later voluntarily dismissed that lawsuit after Silstar agreed to change the clear tip on the Power Tip rod to a painted red-translucent tip. Silstar continues to sell the Power Tip rod with a red-translucent tip. Silstar reserved its right, however, to attempt to sell rods with clear tips in the future.

31. This action arose after Shakespeare became aware that Silstar had advertised and offered for sale a line of 12 fishing rods known as the Silstar Power Tip Crystal rods in the July 1990 issue of Fishing Tackle Retailer. The Power Tip Crystal rods which were advertised by Silstar have a color configuration for the rod tip and base similar to Shakespeare's mark.

32. Other than the similarity between the color configurations of the rod base and tip, the Power Tip Crystal and Ugly Stik rods differ significantly in appearance. For example, Shakespeare uses silver colored line guides, a silver colored extreme tip portion, and red and yellow diamond wrap at the base of the rod above the handle. In contrast, Silstar uses gold colored line guides, a gold colored extreme tip portion, and no wrap at the base of

the rod. Moreover, the handles differ significantly in shape (cylindrical vs. tapered) and the reel sets differ in color (black vs. gold). Finally, Shakespeare places its Ugly Stik logo in prominent white letters on its rods, while Silstar's lower tip Crystal logo appears in gold letters with a red background.

33. There is more than one method of manufacturing a graphite-fiberglass composite fishing rod with a clear tip. In fact, Silver Star manufactures the Power Tip Crystal rods for Silstar using a manufacturing method that differs from the Lindler method. The Lindler method has a cutting mechanism that allows the longitudinal fiberglass fibers to be cut at different intervals so that the number of fibers may differ on the base and the tip of the rod. In contrast, the Silver Star method does not have any cutting mechanism; therefore, the number of fibers is consistent on the entire rod. Given this fact, Silver Star cannot produce a rod which has different colored fibers on the base and the tip.

34. Silstar was aware of Shakespeare's trademark rights when it introduced the Power Tip Crystal rod and it recognized that Shakespeare might have considered the Power Tip Crystal to be an infringement of the registered mark.

35. Silstar desires to use the clear tip on the Power Tip Crystal rods in order that consumers can see and understand the qualities the rod possesses. Silstar does not seek to use the clear tip as a source of origin of the rods.

36. Shakespeare has devoted the large majority of its advertising budget since 1976 to the Ugly Stik, advertising the rods on nationally televised programs such as "ABC's Wide World of Sports," "American Sportsman," "Fishing With Roland Martin," "Al Lindler's Fishing Specials," and "Outdoor Life;" and in nationally and regionally circulated publications such as Field & Stream, Popular Mechanics, and Sports Afield. Shakespeare has also distributed annually approximately 100,000-250,000 catalogues per year consisting of trade catalogues, which are distributed by sales representatives at trade shows, and consumer catalogues, which are distributed to consumers in stores and at various shows.

37. While the nature of these advertisements varies, Shakespeare has repeatedly advertised and promoted the fact that the clear fiberglass tip is unique, is the result of an exclusive patented process, and imparts strength, flexibility, and sensitivity to the rod which cannot be achieved through any other process.

38. Several former Shakespeare employees are now employed by Silstar. For example, Mr. Rost, the General Manager of Silstar Germany, is the former President of Shakespeare. Mark Skrocki, Silstar's Director of Sales and Marketing, is a former Advertising Manager for Shakespeare. Other former Shakespeare employees who now work for Silstar include Joe Bart, a former Shakespeare Vice President who is now involved with Silstar's operations in Holland; Jimmy Cato, a former Shakespeare employee who is now President of Silstar; Mike Bell, who is now Silstar's Director of Promotions Planning and Development; Chris Kopacz, who is an Accounts Payable

Manager for Silstar; and Calvin Lucus, who is a Shipping Clerk for Silstar.

39. At the time that Mr. Rost was employed by Shakespeare, he approved the sale of manufacturing equipment used by Shakespeare in its Hong Kong plant to Silver Star. Although Silver Star could not manufacture the Power Tip Crystal rod with this machinery, it did get the technology to do so from these machines.

II. CONCLUSIONS OF LAW

In light of the foregoing findings of fact, the Court makes the following conclusions of law pursuant to Fed.R.Civ.P. 52(a):

1. The Court has jurisdiction over this action pursuant to 28 U.S.C. s 1338(a) and (b), 15 U.S.C. s 1121, and pendent jurisdiction. Venue is properly laid in this division under 28 U.S.C. s 1391.

2. "[T]he findings of fact and conclusions of law made by a court granting a preliminary injunction are not binding at trial on the merits." *University of Tex. v. Camenisch*, 451 U.S. 390, 395, 101 S. Ct. 1830, 1834, 68 L. Ed. 2d 175 (1981).

3. Shakespeare's first, and primary, cause of action is for trademark infringement under 15 U.S.C. s 1114(1), which provides in pertinent part: Any person who shall, without the consent of the registrant – (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is

likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided. In order to prevail on a claim under this section, Shakespeare must establish: (1) the trademark is valid and legally protectable, (2) it owns the trademark, and (3) Silstar's use of the trademark is likely to create confusion concerning the origin of the goods that the marks purport to identify. *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 291 (3d Cir.), cert. denied sub nom. *Altran Corp. v. Ford Motor Co.*, ___ U.S. ___, 112 S. Ct. 373, 116 L. Ed. 2d 324 (1991).

4. Shakespeare's mark is registered on the Principal Register. Under 15 U.S.C. s 1115(a), the registration of a mark registered on the principal register [S]hall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in [15 U.S.C. s 1115(b)], which might have been asserted if such mark had not been registered. The registration creates a presumption of validity of the mark and of the owner's exclusive right to its use, *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1529 (4th Cir.1984); and the plaintiff in an infringement case, by introducing the registration, is presumed to have established the first two elements of its case. See *Brittingham v. Jenkins*, 914 F.2d 447, 453 (4th

Cir.1990). The burden of proof is then shifted from the plaintiff, who in a common law infringement action would have had to establish his right to exclusive use, to the defendant, who may rebut the presumption by a preponderance of the evidence. *Pizzeria Uno Corp.*, 747 F.2d at 1529 & n. 4.

5. The presumption which registration gives a mark does not preclude one charged with infringement from collaterally attacking the registration by way of affirmative defense or counterclaim seeking cancellation if the mark has not become incontestable. *Pizzeria Uno Corp.*, 747 F.2d at 1529.

6. If the owner of a registered mark uses the mark continuously for five consecutive years and satisfies certain other formalities, then its right to use the mark is deemed incontestable. 15 U.S.C. s 1065. Incontestability is one of the most significant advantages of registration because once a mark becomes incontestable, "the registration [is] conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce" subject to certain defenses specified in the Lanham Act. 15 U.S.C. s 1115(b).[4] Proof of incontestability, subject to the Lanham Act defenses, is conclusive proof of the first

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[4] As Justice Stevens noted in his dissent in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 206 & n. 1, 105 S. Ct. 658, 667 & n. 1, 83 L. Ed. 2d 582 (1985), the term "incontestable" is "somewhat confusing and misleading" because there are over 20 situations in which infringement of an incontestable mark is permitted under the Lanham Act.

two elements of a claim for trademark infringement. *Ford Motor Co.*, 930 F.2d at 291.

7. Shakespeare's mark is incontestable subject to the Lanham Act defenses and, unless Silstar can establish one of these defenses, Shakespeare has conclusively established the validity of the mark and its right to use the mark.

8. Silstar seeks to destroy the incontestable status of Shakespeare's mark by asserting that its use of the clear tip on the Power Tip Crystal rod is a fair use of a descriptive device. Fair use is a defense to trademark infringement even where, as here, the trademark has become otherwise incontestable. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 12 (2d Cir.1976).

9. The "fair use" defense allows one charged with infringement to prove that the use of the name, term, or device charged to be an infringement is a use, otherwise as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party. . . . 15 U.S.C. s 1115(b)(4). The analytical focus of the defense is on how the party charged with infringement uses the mark. *Ideal Indus., Inc. v. Gardner Bender, Inc.*, 612 F.2d 1018, 1027 (7th Cir.1979), cert. denied, 447 U.S. 924, 100 S. Ct. 3016, 65 L. Ed. 2d 1116 (1980).

10. The fair use defense "in essence, forbids a trademark registrant to appropriate a descriptive [device] for his exclusive use and so prevent others from accurately describing a characteristic of their goods." *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir.1980), cert. denied, 450 U.S. 981, 101 S. Ct. 1516, 67 L. Ed. 2d 816

(1981). It is based on the recognition that "[d]escriptive devices are unsuited to the function of marks both because they are poor means of distinguishing one source of [goods] from another and because they are often necessary to the description of all goods . . . of a similar nature." *M.B.H. Enters., Inc. v. WOKY, Inc.*, 633 F.2d 50, 54 (7th Cir.1980). "When a plaintiff has chosen a mark with some descriptive qualities, he cannot altogether exclude some kinds of competing uses even when the mark is properly on the register. . . . " *Abercrombie & Fitch Co.*, 537 F.2d at 12.

11. To prevail on its fair use defense Silstar must prove that (1) the clear tip is a descriptive device, (2) its use of the clear tip is not as a trademark but is merely descriptive, and (3) it is using the clear tip fairly and in good faith. *Dayton Progress Corp. v. Lane Punch Corp.*, 917 F.2d 836, 840 (4th Cir.1990).

12. As a preliminary matter, the Court must determine whether the fair use defense is applicable to a mark such as Shakespeare's which consists of a color configuration. In granting the preliminary injunction, Judge Hamilton noted that the fair use defense "applies most easily to word trademarks" and questioned whether the defense has any applicability to this case, since Shakespeare's mark is not a word mark. See Oct. 15, 1990, Order, at 13-14. Silstar argues that the fair use defense is applicable because the statute does not limit the defense to word marks but, instead, expressly allows for the fair use of a "name, term, or device." Because 15 U.S.C. s 1115(b)(4) does provide for the fair use of a descriptive device, the Court must determine whether Shakespeare's mark (the color configuration) is a device.

13. The Lanham Act defines the term "trademark" as including "any word, name, symbol, or device, or any combination thereof . . . used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." 15 U.S.C. s 1127. Although "color" is not included in the definition of "trademark," it is clear that a color configuration, such as Shakespeare's mark, can serve as a valid trademark. *Transportation, Inc. v. Mayflower Servs., Inc.*, 769 F.2d 952, 955 (4th Cir.1985). While the term "device" is not defined in the Lanham Act, it is generally defined in relevant context as being "[a] decorative design, figure, or pattern," The American Heritage Dictionary, p. 389 (2d ed. 1991); or a "distinguishing mark or sign of any kind," Black's Law Dictionary, p. 452 (6th ed. 1990). In light of this, it is apparent that a color configuration constitutes a "device" for purposes of the Lanham Act. Cf. W.J. Keating, Development Of Evidence To Support Color-Based Trademarks, 9 J.L. & Com. 1, 8 (1989) ("arguably color could qualify as . . . a 'device' " under the Lanham Act). Accordingly, Silstar may assert the fair use defense against Shakespeare's claim of infringement.

14. The fair use defense is applicable only in actions involving a descriptive mark. *Zatarains v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir.1983). A mark is descriptive if it " 'imparts information directly' " or " 'identifies a characteristic or quality of an article.' " *Pizzeria Uno Corp.*, 747 F.2d at 1528 (citations omitted). Shakespeare's mark is unquestionably descriptive since the clear tip, in combination with the opaque rod base,

signifies to consumers that the rod is composed of a graphite base with a solid fiberglass tip, both of which are features that are positive characteristics of fishing rods.[5] That is precisely the reason that Shakespeare chose the mark in the first place.

15. In addition, the fair use defense is applicable only if Silstar is using the mark in its descriptive sense rather than as a trademark. *Zatarains*, 698 F.2d at 791. While the clear tip is the predominant feature of the Ugly Stik and Power Tip Crystal rods, this fact does not defeat the fair use defense since emphasis of a descriptive mark does not show that the mark is being used as a trademark. *Eli Lilly & Co. v. Revlon, Inc.*, 577 F.Supp. 477, 486 (S.D.N.Y.1983). It is evident that Silstar does not seek to use the clear tip on the Power Tip Crystal rod in a trademark sense, that is "to identify and distinguish" the

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[5] " '[A] mark which is merely descriptive is considered to be weak and cannot be accorded trademark protection without proof of secondary meaning. . . . ' " *Pizzeria Uno Corp.*, 747 F.2d at 1527 (citation omitted). "Secondary meaning is used generally to indicate that a mark . . . 'has come through use to be uniquely associated with a specific source.' " *Two Pesos, Inc. v. Taco Cabana*, Inc. [___ U.S. ___, ___ n. 4], 112 S. Ct. 2753, 2756 n. 4 [120 L. Ed. 2d 615], (1992) (citation omitted). The Court notes that the PTO registered Shakespeare's trademark under 15 U.S.C. s 1052(f) only after Shakespeare demonstrated that the clear tip had acquired distinctiveness. This leads to a presumption that the mark has secondary meaning. *Boden Prods., Inc. v. Doric Foods Corp.*, 552 F.Supp. 493, 498 (N.D.Ill.1982). However, even though Shakespeare's mark has presumptively acquired secondary meaning, the fair use defense may be asserted since Shakespeare has no legal claim to an exclusive right in the primary, descriptive meaning of the mark. *Zatarains*, 698 F.2d at 791.

Power Tip Crystal rod from those manufactured or sold by others or "to indicate the source" of the Power Tip Crystal. 15 U.S.C. s 1127. Instead, whatever attention is drawn to the clear tip on the Power Tip Crystal rod serves merely to inform a prospective purchaser of the components and attributes of the rod. As one court has observed, "[v]irtually every aspect of a product's trade dress is intended to catch the eye of the purchaser. Unless attention is drawn to the particular [mark] as being indicative of source or origin of that product, the [mark] is not being used as a trademark." *Schmid Labs. v. Youngs Drug Prods. Corp.*, 482 F.Supp. 14, 20-21 (D.N.J.1979).

16. Finally, the fair use defense is applicable only if Silstar is using the mark fairly and in good faith. Silstar seeks to use the clear tip only in its descriptive sense and the evidence establishes that the clear tip is without question the most effective means to market the rods in this descriptive sense. There is no indication that Silstar's attempt to utilize the clear tip is unfair or in bad faith.[6]

17. Because Silstar has proven its fair use defense, it is entitled to prevail on Shakespeare's federal trademark infringement claim and it may use the mark on its rods.[7]

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[6] Shakespeare seeks to establish Silstar's alleged bad faith by asserting that Silstar employs several former Shakespeare employees, Silstar's rods are produced with machinery sold to Silver Star by Mr. Rost while he worked for Shakespeare, and Silstar was aware of Shakespeare's mark when it placed the mark on the Power Tip Crystal rod. While each of these facts are supported by the record, they do not support the inference of bad faith which Shakespeare advances.

[7] The fair use defense is applicable even where a plaintiff can establish likelihood of confusion since "[t]o hold otherwise

18. As noted, Silstar not only seeks the right to use the mark, it also seeks to cancel Shakespeare's registration. While the fair use defense does not invalidate Shakespeare's mark but, instead, simply grants Silstar the right to use the mark fairly and in good faith on its rods, the defense does reduce the evidentiary status of the registration to prima facie rather than conclusive evidence of Shakespeare's right to exclusive use of the mark. *Park 'N Fly, Inc.*, 469 U.S. at 199 n. 6, 105 S. Ct. at 664 n. 6. In other words, because Silstar has proven its fair use defense, the registration now has the same evidentiary value that it had during the five-year period of continuous use preceding the point in time in which it became incontestable. F.T. Mahaney, Incontestability: *The Park 'N Fly Decision*, 33 U.C.L.A. L.Rev. 1149, 1168 (1986); see *Louis Rich, Inc. v. Horace W. Longacre, Inc.*, 423 F.Supp. 1327, 1339 (E.D.Pa.1976) ("the effect of s 1115(b) is simply to remove the statutorily created 'conclusive evidence' feature of the registration of an incontestable mark, relegating the owner of the mark to the normal burden of proving the validity of its mark and its right to the exclusive use of it").

19. Because the fair use defense has destroyed the incontestable status of the registration, Silstar may now assert any legal or equitable defense or defect which it might have asserted against the mark had the mark not been registered. 15 U.S.C. s 1115(a). In seeking to cancel

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would effectively viscerate the fair-use defense." *Soweco, Inc.*, 617 F.2d at 1189 n. 30. Accordingly, the Court need not reach the issue of whether the clear tip on the Power Tip Crystal will create a likelihood of confusion.

the registration, Silstar contends that the mark is merely a functional feature of graphite based fishing rods with solid fiberglass tips and, accordingly, is not entitled to trademark registration. The Court agrees.[8]

20. "Trademark law does not protect the functional features of products because such protection would provide a perpetual monopoly of features which could not be patented." *Esercizio v. Roberts*, 944 F.2d 1235, 1246 (6th Cir.1991), cert. denied sub nom., *Roberts v. Ferrari S.P.A. Esercizio Fabriche Automobili Corse*, ___ U.S. ___, 112 S. Ct. 3028, 120 L. Ed. 2d 899 (1992). The "key policy served by barring the use of functional features for identification is the policy favoring competition, and . . . the 'functionality' inquiry must be addressed in light of this policy." *United States Golf Ass'n v. St. Andrews Sys., Data-Max, Inc.*, 749 F.2d 1028, 1033 (3d Cir.1984). Hence, a mark which is merely a functional feature of a good is not entitled to registration or protection under the Lanham Act, *International Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1091 (Fed.Cir.1984); and "functional features which are not the subject of a valid patent or copyright may be imitated with impunity." *Fisher Stoves,*

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[8] Functionality, which is not listed as a defense to an incontestable mark under 15 U.S.C. s 1115(b), is applicable only because Silstar has proven its fair use defense under 15 U.S.C. s 1115(b)(4). See *Park 'N Fly*, 469 U.S. at 193-205, 105 S. Ct. at 661-67 (the Supreme Court recognized that the Lanham Act limits "the power of the courts to cancel registrations and 'to otherwise rectify the register' . . . to the specific provisions concerning incontestability," and held that a "holder of a registered mark may rely on incontestability to enjoin infringement and that such an action may not be defended on . . . grounds" not provided for in the Lanham Act).

Inc. v. All Nighter Stove Works, Inc., 626 F.2d 193, 195 (1st Cir.1980).

21. Silstar bears the burden of proving functionality. *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 520 (10th Cir.1987).

22. While the functionality of a product feature "cannot be determined by application of a mechanical test," *United States Golf Ass'n*, 749 F.2d at 1033; a product feature is generally considered functional "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article," *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n. 10, 102 S. Ct. 2182, 2187 n. 10, 72 L. Ed. 2d 606 (1982); or "if 'it something that other producers of the product in question would have to have as part of the product in order to be able to compete effectively in the market.' " *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 20 (7th Cir.1992) (citation omitted).

23. The availability of alternative designs is a key factor in determining functionality. *Hartford House, Ltd. v. Hallmark Cards, Inc.*, 846 F.2d 1268, 1273 (10th Cir.), cert. denied, 488 U.S. 908, 109 S. Ct. 260, 102 L. Ed. 2d 248 (1988). A design is functional "if it is one of only a limited number of efficient options available to competitors." *Sunbeam Corp. v. Equity Indus. Corp.*, 635 F.Supp. 625, 636 (E.D.Va.1986).

24. Functionality is not limited to product features which are essential to the operation of the product. *Brunswick Corp.*, 832 F.2d at 519. Thus, the color of a product may be functional. See, e.g., *Warner Lambert Co. v. McCrory's Corp.*, 718 F.Supp. 389, 396 (D.N.J.1989); cf.

Coca-Cola Co. v. Dixi-Cola Labs., Inc., 155 F.2d 59, 65 (4th Cir.1946) ("The color of the drink . . . is functional").

25. In this case, there is no alternative design to Shakespeare's mark which would be as effective in communicating to consumers the fact that the rod is made of a graphite base and a solid fiberglass tip since the clear tip and the opaque base represent the natural colors of the graphite and fiberglass resin which compose the rod. To allow Shakespeare to have a perpetual monopoly on the color configuration would unquestionably hinder competition since it would preclude all competitors from using the natural and most effective means of marketing their products, and would require them to use a less effective and more costly method.[9] This hindrance to competition would ultimately result in a detriment to consumers. Accordingly, Shakespeare's mark is a functional feature of graphite fishing rods which have a solid fiberglass tip.[10]

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[9] This case is very similar to another case involving Shakespeare. In *In re Shakespeare Co.*, 289 F.2d 506 (C.C.P.A.1961), the Court of Customs and Patent Appeals held that certain markings on Shakespeare's "Wonderod" which necessarily resulted from the Howald process were not registrable as a trademark notwithstanding the fact that the markings had acquired secondary meaning. The court stated: "[w]ere the spiral marking to be treated as a trademark the holder of the trademark rights would have a potentially perpetual monopoly which would enable it either to prevent others from using the process which results in the mark or force them to go to the trouble and expense of removing it." 289 F.2d at 508.

[10] Because the fair use defense has destroyed the incontestable status of Shakespeare's mark, functionality is also a defense to Shakespeare's Lanham Act infringement claim.

26. In any action involving a registered mark, [T]he court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby. 15 U.S.C. s 1119.

27. The legal issue in a cancellation proceeding is the right to register a mark and when a mark is not incontestable, a court may cancel the mark on any ground which would have prevented registration initially. *International Order of Job's Daughters*, 727 F.2d at 1091.

28. As noted, a mark "which does not fulfill the functions of a trademark, but, rather, serves essentially a utilitarian or functional purpose cannot be registered as a trademark." Id.; see *Goodyear Tire & Rubber Co. v. Robertson*, 25 F.2d 833, 834-35 (4th Cir.1928) (holding that diamond-shaped tread on tire, "which is a mechanically functional feature of an automobile tire," cannot be registered).

29. Because Shakespeare's mark is a functional feature of graphite rods with solid fiberglass tips, the mark is not the subject of a registrable trademark. Accordingly, the Court shall order the Commissioner of the PTO to cancel the mark from the register.

30. Shakespeare's second cause of action is for unfair competition under 15 U.S.C. s 1125(a), which provides in pertinent part: Any person who, on or in connection with any goods or services, or any container for

goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which – (1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person

. . . .

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act. Because Shakespeare's claim for unfair competition hinges on Silstar's alleged trademark infringement, this claim must fail based on the Court's conclusions concerning functionality and fair use. See *Two Pesos, Inc.*, ___ U.S. at ___, 112 S. Ct. at 2758 ("It is . . . clear that eligibility for protection under [15 U.S.C. s 1125] depends on nonfunctionality"); *Robert B. Vance & Assocs. v. Baronet Corp.*, 487 F.Supp. 790, 797 (N.D.Ga.1979) (" 'fair use' defense defeats a claim not only for trademark infringement, but also precludes a recovery under 15 U.S.C. s 1125(a) for federal unfair competition"). Accordingly, Shakespeare is not entitled to prevail on this claim.

31. Shakespeare's final cause of action is for common law trademark infringement and unfair competition. The elements of trademark infringement and unfair competition under South Carolina common law are identical to the elements for those claims under the Lanham Act. See *Pizzeria Uno Corp. v. Temple*, 566 F.Supp. 385, 399 (D.S.C.1983), aff'd, 747 F.2d 1522 (4th Cir.1984); *Taylor v.*

Hoppin' Johns, Inc., 304 S.C. 471, 405 S.E.2d 410, 413 (1991). Accordingly, the Court concludes that Shakespeare has failed to establish its cause of action for common law trademark infringement and unfair competition.

III. ORDER

Based on the foregoing, the Court hereby ORDERS that the preliminary injunction issued on October 5, 1990, be DISSOLVED and that judgment be ENTERED in favor of Silstar on all causes of action.[11] The Court further ORDERS the Commissioner of the Patent and Trademark Office to CANCEL United States Trademark Registration number 1,261,786 from the Principal Register based on grounds of functionality. The Clerk of Court is DIRECTED to certify a copy of this Opinion and Order to the Commissioner. The Court will retain limited jurisdiction of this matter for the disposition of Shakespeare's bond.

IT IS SO ORDERED.

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[11] In view of the Court's holding concerning the fair use and functionality defenses, it is unnecessary for the Court to reach the other issues raised by the parties.

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

FILED
January 5, 1994

No. 92-2311
CA-90-1695-3

SHAKESPEARE COMPANY
Plaintiff – Appellant

v.

SILSTAR CORPORATION OF AMERICA, INC.
Defendant – Appellee

On Petition for Rehearing with Suggestion
for Rehearing In Banc

Appellee filed a petition for rehearing with suggestion for rehearing in banc.

Judge Niemeyer voted to grant panel rehearing. Judges Widener and Chapman voted to deny.

A member of the Court requested a poll on the suggestion for rehearing in banc, and a majority of the judges voted to deny rehearing in banc. Judges Murnaghan, Wilkinson, Niemeyer and Michael voted to rehear the case in banc. Chief Judge Ervin and Judges Russell, Widener, Hall, Phillips, Wilkins, Luttig, and Williams voted against rehearing in banc. Judge Hamilton was disqualified and did not vote.

The Court denies the petition for rehearing with suggestion for rehearing in banc.

Entered at the direction of Judge Niemeyer, with the concurrence of Judge Widener and Judge Chapman.

For the Court,

/s/ Bert M. Montague
CLERK

(2)

No. 93-1568

Supreme Court, U.S.
FILED
MAY 4 1994
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

October Term, 1993

SILSTAR CORPORATION OF AMERICA, INC.,
Petitioner,

vs.

SHAKESPEARE COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

JACK L. RENNER
Counsel of Record
SYLVIA A. PETROSKY
RENNER, KENNER, GREIVE,
BOBAK, TAYLOR & WEBER
1610 First National Tower
Akron, Ohio 44308
(216) 376-1242
Attorneys for Respondent
Shakespeare Company

THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5647

DISCLOSURE OF CORPORATE AFFILIATIONS PURSUANT TO RULE 29.1

Respondent, Shakespeare Company, is a wholly owned subsidiary of Anthony Industries, Inc. Shakespeare does not have any subsidiaries.

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No. 93-1568

IN THE

Supreme Court of the United States

October Term, 1993

SILSTAR CORPORATION OF AMERICA, INC.,
Petitioner,

vs.

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

STATEMENT OF THE CASE

This case pertains to Shakespeare's "clear tip" configuration trademark which is the subject of United States Trademark Registration No. 1,261,784. Shakespeare is the foremost manufacturer of fishing rods in the United States. For the past 10 years the most popular and profitable fishing rods that Shakespeare sells have been the fishing rods sold under the trademark UGLY STIK, the majority of which rods embody the "clear tip" configuration trademark.

Shakespeare has used its "clear tip" configuration mark since 1976, and has spent millions of dollars advertising the mark and the rods which embody it. The mark has appeared, from time to time, in over 50 different sports publications, and was seen by more than 110 million viewers each time it was aired in a television commercial. As a result of Shakespeare's advertising and marketing efforts, consumer acceptance of the rods bearing the "clear tip" configuration has been overwhelming. Over 80 million dollars worth of UGLY STIK rods bearing the "clear tip" configuration were sold between the years of 1981 and 1990.

Shakespeare, an innovator in the fishing tackle industry, has acquired several patents on various aspects of, or processes directed to, its fishing tackle. The patents relating in any way to fishing rods were introduced into evidence at the district court proceedings in this case, and the breadth of the patents was fully presented by Shakespeare to the Fourth Circuit Court of Appeals. Shakespeare's "clear tip" configuration was *not* and is *not* taught or claimed by any patent; nor do any of the patents teach or claim a rod possessing more than one color. Silstar continues to ignore these facts, while

advancing its case on the false assertions contained in its Statement of the Case (¶1, 2) that Shakespeare's "clear tip" configuration is the result of a patented process.

The method of manufacturing the rods which bear the "clear tip" configuration was also presented by Shakespeare to the Fourth Circuit. The process is the result of Shakespeare's purposeful alterations to a previously existing public domain method of manufacturing fishing rods. Shakespeare takes additional steps to modify this method by adding dual color capability. It also takes the additional steps of pigmenting or clarifying the resins applied to the fibers to create the unique appearance of its "clear tip" configuration.

Shakespeare began using its "clear tip" configuration in 1976, and was the first to use its color configuration mark as an indicator of source. In 1983, Shakespeare obtained United States Trademark Registration No. 1,261,784, now incontestable, on the Principle Register directed to its "clear tip" configuration. The mark was registered under Section 2(f) of the Trademark Act (15 U.S.C. §1052) on the basis of acquired distinctiveness as a result of substantial advertising, sales, and consumer recognition. Shakespeare's mark, a color configuration mark consisting of the combination of shape and color, comprises the tip portion of the shaft consisting of a whitish, translucent material in contrast to the darker, opaque remainder of the shaft. Shakespeare's registration for the mark was obtained only after Shakespeare was able to overcome the *ornamental* rejection entered by the United States Patent and Trademark Office (PTO) during the prosecution phase of the application. *Shakespeare did not encounter a functional or descriptive rejection.*

In July of 1990, Silstar, a subsidiary of a Korean company operating under the name Silver Star, began selling its POWER TIP CRYSTAL rods. Silstar, being comprised in part of a number of former key employees of Shakespeare, knew that Shakespeare considered its "clear tip" configuration to be proprietary to Shakespeare, and also knew that the rods embodying the mark was Shakespeare's dominant product.

Shakespeare initiated this action for trademark infringement and unfair competition in the United States District Court for the District of South Carolina, Columbia Division on July 23, 1990. The subsequent history of this case is set forth in the "Opinions Below" section of Silstar's Petition.

SUMMARY OF ARGUMENT FOR DENIAL

1. Petitioner's questions, which are predicated upon Silstar's erroneous assertion that the Fourth Circuit Court of Appeals found Shakespeare's mark to be functional, are hypothetical because there is no foundation for them in the Fourth Circuit's opinion. The Fourth Circuit did not substantively address the issue of functionality at all. It held that the district court erred in cancelling Shakespeare's mark on the basis of functionality because functionality is not a cognizable basis for cancellation under 15 U.S.C. §1064; and because Silstar had not alleged any allowable basis for cancellation under 15 U.S.C. §1064, the Fourth Circuit further held Shakespeare's mark to be valid as a matter of law. Implicit in the Fourth Circuit's holding is that the district court should never have addressed the issue of functionality in the first instance.

2. The Fourth Circuit adopted the rationale of this Court's holding in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985), which held that an incontestable mark could not be challenged on the basis of descriptiveness because it was not one of the grounds enumerated under 15 U.S.C. §§1115 and 1065. The Fourth Circuit, recognizing that *Park 'N Fly* precludes a collateral attack on an incontestable mark, reasoned that the power of a district court to cancel an incontestably registered mark under 15 U.S.C. §1119 must be limited to the specific grounds set forth in 15 U.S.C. §1064 which do not include functionality.

3. Contrary to Petitioner's assertions, Shakespeare's "clear tip" configuration is not taught or claimed by any patent, nor is it the natural appearance produced by, or the inherent result of, Shakespeare's manufacturing process. The mark, in fact, is the result of Shakespeare's conscious efforts to create the unique appearance which serves as its trademark. Therefore, Shakespeare violated no duty to the PTO in failing to disclose that the mark is allegedly "functional" as Silstar suggests.

4. Petitioner has failed to apprise this Court of the relevant and significant body of trademark law which has long afforded trademark protection to color configuration marks such as Shakespeare's mark.

ARGUMENT

I. Petitioner's Questions For Review Are Merely Hypothetical In View Of The Fourth Circuit's Holding.

Silstar asserts that the Fourth Circuit has decided an important question of federal law which has not been, but should be, settled by this Court; or that the Fourth Circuit has decided a federal question in a way that conflicts with applicable decisions of this Court pursuant to Sup. Ct. R. 10. In view of the Fourth Circuit's actual holding, it is clear that what Silstar has done in formulating its questions is to attempt to elevate its mere dissatisfaction with the discrepancy between the decisions of the district court and Fourth Circuit to the level of an important federal question. Such should not and cannot provide the basis for review by this Court.

Petitioner states its Questions for Review as follows:

> Whether a trademark registered under the Lanham Act can provide a perpetual patent-like monopoly for a functional feature of a product in light of the constitutional limitation on such perpetual monopolies set forth in Article I, Section 8, clause 8 of the U.S. Constitution and in light of the entire history of trademark law to the contrary. (Petitioner's Question for Review 1)
>
> Whether 15 U.S.C. §1119 provides authority for a federal court to cancel a trademark on the grounds that it applies to a functional feature. (Petitioner's Question for Review 2)

With respect to Question 1, in general, this Court has previously acknowledged that functional features cannot form the basis for valid trademarks. *See Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938), *reh. denied*, 305 U.S. 674 (1938); *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 112 S. Ct. 2753 (1992).

Fundamentally, Question 1 requires that a functional feature be involved, and necessarily implies that the Fourth Circuit found Shakespeare's mark to be functional. However, no such finding was made by the Fourth Circuit. As will be discussed in further detail later in this Brief, the Fourth Circuit did not substantively address the issue of functionality, but stated that the district court erred in cancelling Shakespeare's mark pursuant to 15 U.S.C. §1119 on the grounds that it was functional, because functionality is not an allowable basis for cancellation under 15 U.S.C. §1064. Implicit in the Fourth Circuit's holding is that the district court should never have substantively addressed functionality in the first instance. Silstar does not contest here the fact that the Fourth Circuit did not address the issue of functionality. Quite simply, Silstar's Question 1 is hypothetical because it is grounded in a nonexistent finding of functionality.

Question 2 similarly requires that a functional feature be involved and also necessarily implies a finding of functionality by the Fourth Circuit. However, this was not the holding of the Fourth Circuit. Accordingly, Silstar's Question 2 is hypothetical as well.

If Question 2 is considered at all, it must be read in view of the Fourth Circuit's specific holding, *i.e.*, that cancellation under 15 U.S.C. §1119 is limited by the constraints of 15 U.S.C. §1064 which does not provide for cancellation of a mark that has been registered for five years on the basis of functionality. In so holding, the Fourth Circuit merely adopted the rationale set forth in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985).

Implicit in this Court's discussion of 15 U.S.C. §1119 in *Park 'N Fly* is the acknowledgement that district courts have concurrent power with the Trademark Trial and Appeal Board (TTAB) to cancel marks. *Id.* at 203. This would necessarily involve cancellation of marks on the basis of functionality *in some instances* such as where the mark had existed on the Trademark Register for *less than five years.* However, this Court also recognized when discussing 15 U.S.C. §1064, that "*a mark that has been registered five years is protected from cancellation except on the grounds stated in §§14(c) and (e) [15 U.S.C. §1064]*". *Id.* at 197. Furthermore, this Court went on to state, "Similarly, the power of the courts to cancel registrations, 'and to otherwise rectify the register', §37, 15 U.S.C. §1119, must be subject to the specific provisions concerning incontestability." *Id.* at 203. The practical effect of this is to preclude a collateral attack on an incontestable mark. Applying this reasoning to the present case would limit the exercise of jurisdiction under 15 U.S.C. §1119 to the constraints enumerated in 15 U.S.C. §1064. *Indeed, this was the precise holding of the Fourth Circuit* in stating, "We hold that Congress adopted 15 U.S.C. §1119 to give the district court power concurrent with, but not in excess of, the [TTAB] and that the district court is also limited by the language of the statutes controlling the [TTAB]." (Petitioner's App. 1) (hereinafter Pet. App. ____)

Silstar suggests in its errant cite to *Park 'N Fly, id.* at 203, fn.7, that this Court took "pains" to point out that it did not address equitable considerations that might otherwise affect the enforceability of a mark covered by an incontestable registration, suggesting perhaps that this would be appropriate here. What this Court actually said about equitable considerations when

discussing 15 U.S.C. §1116 (which the dissent in that case argued gave the court a basis in equity to invalidate the mark at issue) is as follows:

> Whatever the precise boundaries of the court's equitable power, we do not believe that it encompasses a substantive challenge to the validity of an incontestable mark on the grounds that it lacks secondary meaning. To conclude otherwise would expand the meaning of "equity" to the point of vitiating the more specific provisions of the Lanham Act. *Id.* at 203.

In footnote 7 of *Park 'N Fly,* this Court was referring to the fact that it need not address whether traditional equitable defenses such as estoppel or laches are available in an action to enforce an incontestable mark—issues which are not applicable to this case. (Subsequent to this Court's decision in *Park 'N Fly,* 15 U.S.C. §1115 was amended to include such traditional equitable defenses at 15 U.S.C. §1115(8).) Silstar's suggestion that its substantive attack on Shakespeare's mark is somehow encompassed by traditional equitable considerations is not well taken.

The inescapable conclusion in view of the Fourth Circuit's reliance on *Park 'N Fly,* is that the Fourth Circuit has decided the present case in the manner in which this Court would likely decide it if it were heard on the merits. Therefore, the questions presented are not of the type of important federal questions that this Court needs to address.

II. The Fourth Circuit Decision Followed The Rationale in *Park 'N Fly*.

A. Prior to *Park 'N Fly*.

Prior to *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985), some federal courts did not recognize the status conferred upon incontestable marks, and limited the full effect of incontestability by applying the "offensive-defensive" distinction which allowed a trademark owner to rely upon incontestability as a "defensive" shield against cancellation, but not "offensively" in litigation. As McCarthy points out in his treatise:

> This effectively meant that when a federal registrant holding an incontestable registration was a plaintiff in infringement litigation, the incontestability provisions of the statute had no meaning or effect. *See, e.g., Rand McNally & Co. v. Christmas Club*, 105 U.S.P.Q. 499 (Com'r. Pats. 1955), *aff'd, on other grounds*, 242 F.2d 776 (1957); *John Morrell & Co. v. Reliable Packing Co.*, 295 F.2d 314 (7th Cir. 1961); *Tillamook County Creamery Assoc. v. Tillamook Cheese & Dairy Assoc.*, 345 F.2d 158 (9th Cir. 1965), *cert. denied*, 382 U.S. 903 (1965); *Schwinn Bicycle Co. v. Murray Ohio Mfg. Co.*, 339 F. Supp. 973 (M.D. Tenn. 1971), *aff'd.*, 470 F.2d 975 (6th Cir. 1972) [allowing the collateral attack of an incontestable mark as a defense to infringement and cancelling the mark on the basis of functionality].
>
> *This type of limitation, largely came to an end* with the 1976 Seventh Circuit decision in the *Eveready* case. [*Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir. 1976), *cert. denied*, 429 U.S. 830 (1976)] In a clear and well-reasoned opinion by Judge Pell, the court surveyed the case law which had adopted the "offensive-defensive" limitation on incontestability and soundly rejected it: "There is no defensive/offensive distinction in the statute, and we

> do not believe one should be judicially engrafted on to it". (Emphasis added) 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* §32.44[4], 3d Ed. (1994). *See Park 'N Fly* at 203-04.

As McCarthy further noted, the *Eveready* decision proved to be persuasive to other courts and was almost uniformly followed, with the exception of the Ninth Circuit which led to this Court's resolution of the issue in *Park 'N Fly*. *Id.*

In *Park 'N Fly*, this Court held that an incontestable mark could not be challenged on the basis of descriptiveness because it was not one of the grounds enumerated under 15 U.S.C. §§1115 and 1065. *Park 'N Fly* at 189. Logically, the decision can be read as precluding a collateral attack on an incontestably registered mark.

Respondent in *Park 'N Fly* argued, as Silstar does here, that enforcing the mark would conflict with the goals of the Lanham Act because the mark should never have been registered in the first instance. *Id.* at 198. This Court found that argument to be unpersuasive and commented as follows on the legislative intent in adopting the provisions of the Lanham Act:

> Representative Lanham's remarks, if read in context, clearly refer to the effect of the defenses enumerated under §§33(b) [15 U.S.C. §1115]. There is no question that the Lanham Act altered existing law concerning trademark rights in several respects . . . Similarly §14 [15 U.S.C. §1064] cuts off certain grounds for cancellation five years after registration and thereby modifies the previous rule that the validity of a trademark could be attacked at any time. (Citations omitted). Most significantly, Representative Lanham himself observed that incontestability was one of "the valuable new rights created by the act" 92 Cong. Rec. 7524 (1946). *Id.* at 199.

B. The Fourth Circuit analogized to *Park 'N Fly*.

On November 15, 1993, the Fourth Circuit rendered its Opinion: (1) holding that the district court erred in cancelling Shakespeare's mark pursuant to 15 U.S.C. §1119 on the grounds that it is functional, because functionality is not a proper ground for cancellation under 15 U.S.C. §1064; (2) holding that Shakespeare's mark is valid as a matter of law because no other ground enumerated under 15 U.S.C. §1064 was alleged by Silstar; and (3) reversing and remanding the case for further consideration of Shakespeare's statutory and common law infringement and unfair competition claims, with instruction to the district court to couple "any inquiry into an alleged 'fair use' of the clear tip" with an analysis of the likelihood of confusion among consumers that may be created by Silstar's use of the "clear tip". (Pet. App. 18)

Implicit in the Fourth Circuit's holding is the admonition that the district court should never have substantively addressed the issue of functionality in the first instance. Nowhere in the Fourth Circuit's decision is there a statement that Shakespeare's mark is functional. Moreover, to suggest that the Fourth Circuit held that a functional feature may be a valid trademark, and is, thus, in irreconcilable conflict with the history of trademark law, is absurd. The Fourth Circuit made no such holding. Yet, Silstar persists in advancing its blatant misrepresentation that this is what the Fourth Circuit held.

As support for this false assertion, Petitioner cites the *dissenting* opinion in the Fourth Circuit's decision at Pet. App. 19, 27-29. However, even the language in the dissent does not support Silstar's conclusion. As properly quoted, the dissent reads:

> The majority opinion would not *appear* to take issue with the conclusion that Shakespeare's mark is functional. Indeed, it *appears* to embrace it, concluding only that functionality is not a statutory ground for cancellation. (Emphasis added) (Pet. App. 35)

The dissent's statement is only a suggestion of what it perceived the majority concluded. However, the dissent, too, ignored the logic in the majority's holding that Shakespeare's mark is valid as a matter of law.

The Fourth Circuit's decision was rendered upon the narrow issue of: "whether a district court considering cancellation, pursuant to §37 of the Lanham Act (15 U.S.C. §1119 (1988)), of a trademark that has been registered more than five years, and is incontestable pursuant to 15 U.S.C. §1065 (1988), can order cancellation on the ground that the trademark is found to be functional, even though functionality is not one of the grounds set forth in 15 U.S.C. §1064". (Pet. App. 1, 6)

The Fourth Circuit first noted that if a party attacking the validity of a registration seeks cancellation through an administrative proceeding before the TTAB, it is explicitly limited by 15 U.S.C. §§1115 and 1064; further noting that an administrative attack on a registered trademark more than five years after the date of publication of its initial registration, regardless of whether it is incontestable, may only be brought on the grounds enumerated under 15 U.S.C. §1064. (Pet. App. 9-11) The Fourth Circuit observed that 15 U.S.C. §1064 has been described as a kind of statute of limitations for actions seeking cancellation of marks registered for more than five years. (Pet. App. 11)

The Fourth Circuit went on to compare the administrative cancellation proceeding before the TTAB to the action sought by Silstar in this case. Here, in a responsive pleading in the district court proceedings, Silstar sought relief under 15 U.S.C. §1119, which gives a district court the power to cancel registrations. (Pet. App. 11) Because 15 U.S.C. §1119 recites no grounds upon which a registration may be cancelled, the issue was raised as to whether the district court's authority under 15 U.S.C. §1119 is limited by the same constraints that limit the TTAB in an administrative cancellation proceeding. (Pet. App. 11)

The Fourth Circuit considered the issue in this case to be analogous to the central issue in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985). Pet. App. 12) The "quality" of the mark at issue in that case was mere descriptiveness (Pet. App. 15), whereas the "quality" at issue in this case is the alleged functionality of Shakespeare's mark. In a well-reasoned decision taking guidance from *Park 'N Fly*, the only case in which this Court has discussed 15 U.S.C. §1119, the Fourth Circuit decided that the district court was constrained by the provisions of 15 U.S.C. §1064. (Pet. App. 12, 18) Indeed, the present case is so analogous to *Park 'N Fly*, that the Fourth Circuit merely adopted its rationale.

The Fourth Circuit observed that in *Park 'N Fly*, this Court held that "a district court, entertaining an action for cancellation of a mark, is obliged to consider the limits of the Lanham Act" (Pet. App. 14), further citing from the case as follows:

> [T]he power of the courts to cancel registrations and "to otherwise rectify the register," §37, 15 U.S.C. §1119, must be subject to the specific provisions concerning incontestability [15 U.S.C. §1115]. *Park 'N Fly*, 469 U.S. at 203. (Pet. App. 14)

The Fourth Circuit went on to reason that "[i]f the power of a district court under §1119 is implicitly constrained by the specific provisions of one subsection of the Lanham Act, §1115(b), [as was held in *Park 'N Fly*] it is reasonable to conclude that it is limited by another related subsection, §1064". (Pet. App. 14) The Fourth Circuit was "persuaded that the rationale enunciated by Justice O'Connor in *Park 'N Fly* would apply so as to limit cancellation under §1119 to the grounds set forth in §1064". (Pet. App. 14)

The Fourth Circuit specifically noted this Court's observation in *Park 'N Fly*—that the clear language contained in 15 U.S.C. §1064 limits cancellation of a registration more than five years old, *id.* at 197, and concluded that this would be cancellation pursuant to 15 U.S.C. §1119 *because the Park 'N Fly inquiry was rooted in that context, i.e.,* whether cancellation under 15 U.S.C. §1119 was limited by the constraints of 15 U.S.C. §1115 (incontestability). (Pet. App. 14) Because functionality is not one of the enumerated grounds under 15 U.S.C. §1064, the Fourth Circuit reasoned that it could not be used as a basis for cancellation of a registration more than five years old. (Pet. App. 14)

Specifically, the Fourth Circuit stated:

> We have considered the possibility that functionality invalidates a trademark at any stage of the process, and that registration offers no protection to an invalid mark that should never have been registered in the first place. This is the position taken by Justice Stevens in his dissent in *Park 'N Fly*, 469 U.S. at 206. Justice Stevens argued that mere descriptiveness, the quality at issue in that case, invalidated the registration, 469 U.S. at 206-07, and that incontestability could not be used as a shield behind which an invalid mark could hide. 469 U.S. at 211. *We find these arguments unpersuasive.* (Emphasis added) (Pet. App. 15)

Concerning the validity of the mark at issue in *Park 'N Fly*, this Court stated:

> Unlike the dissent, we decline to determine in the first instance whether the mark improperly issued. Our holding is not affected by the possibility that the mark was or has become merely descriptive. *Id.* at 198-99, fn.5.

Reasoning as this Court did in *Park 'N Fly*, the Fourth Circuit went on to state:

> Perhaps the provisions of the Lanham Act apply only to valid trademarks, and that a functional trademark is invalid, but it would seem anomalous for Congress to enumerate specific grounds for cancellation for a five-year old registration, as it has done in §1064, and not list functionality, if it intended functionality to serve as such a ground. As Justice O'Connor stated, "[o]ur responsibility . . . is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted. 469 U.S. at 203. (Pet. App. 15)

After citing a number of federal court decisions, including one of its own, and highlighting a number of commentators as support for its holding, the Fourth Circuit held that the district court erred in cancelling Shakespeare's mark pursuant to 15 U.S.C. §1119 on the grounds that the mark is functional because functionality is not grounds for cancellation under 15 U.S.C. §1064. (Pet. App. 15-18) The Fourth Circuit went on to hold Shakespeare's mark valid as a matter of law because no other permissible ground for cancellation under 15 U.S.C. §1064 was alleged by Silstar. (Pet. App. 18) There was no finding that Shakespeare's mark is functional. Indeed, the Fourth Circuit purposefully did not address the issue of functionality. Implicit in the Fourth Circuit's decision is that the district court should never have substantively addressed the issue of functionality in the first instance.

C. The Fourth Circuit readily recognized, as in *Park 'N Fly*, that registration is not automatic.

Silstar attempts to distinguish *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985), which dealt with the issue of descriptiveness, from the present case where it alleges the functionality of Shakespeare's mark on the basis that *Park 'N Fly* did not deal with a constitutional issue. Although a constitutional issue does not present itself in this case, the underlying public policy considerations discussed in *Park 'N Fly*, having to do with why a trademark owner should enjoy quiet title to its mark after a certain point in time, are equally applicable in the present case and obviously impacted the Fourth Circuit's decision.

The mark at issue in the *Park 'N Fly* case, PARK 'N' FLY, was initially rejected by the PTO as being merely descriptive. *Id.* at 198-99, fn.5. Although uncertain from the reported decision, upon filing a request for reconsideration, the mark was permitted to register either because the merely descriptive rejection was withdrawn, or because secondary meaning, *i.e.*, consumer recognition, had been established in the mark. *Id.* Shakespeare's "clear tip" configuration mark presents a similarly compelling example of a *bona fide* mark.

Shakespeare's application to register its mark was thoroughly considered by the PTO which is keenly aware of the doctrine of functionality and its underlying policy considerations. Indeed, the PTO has some very explicit guidelines concerning functionality. TMEP §1202.03(f)(i). Shakespeare's application passed the rigors of this examination, and its mark was initially held to be *ornamental* by the PTO under TMEP §1202.04 *et seq.*—*not* functional.

Shakespeare violated no duty to the PTO in submitting its application to register its mark as Silstar suggests, because Shakespeare's mark is neither claimed

nor taught in any patent, nor is it the natural appearance produced by, or the inherent result of, Shakespeare's manufacturing process. Even the PTO's initial position relative to the application in finding the mark to be ornamental—and not functional—is illustrative of this point.

Although Silstar would have this Court believe that the PTO is much less than thorough during the trademark registration process, as this Court recognized in the *Park 'N Fly* case:

> Respondent argues that the decision by the Court of Appeals should be upheld because trademark registrations are issued by the Patent Office after an *ex parte* proceeding and generally without inquiry into the merits of an application. *This argument unravels upon close examination. The facts of this case belie the suggestion that registration is virtually automatic.* The Patent Office initially denied petitioner's application because the examiner considered the mark to be merely descriptive. Petitioner sought reconsideration and successfully persuaded the Patent Office that its mark was registrable. (Emphasis added) *Id.* at 202.

Similarly, in this case, after receiving an ornamental rejection, Shakespeare successfully proved that its "clear tip" configuration was worthy of registration on the basis of acquired distinctiveness under Section 2(f) of the Trademark Act (15 U.S.C. §1052) as demonstrated by substantial sales, advertising and consumer recognition of the mark.

The United States Trademark Laws include a system of checks and balances which preclude the registration, and subsequent existence, of improper marks. This Court recognized these "backup" procedures to the *ex parte* registration process in the PTO when it stated:

> More generally, respondent is simply wrong to suggest that third parties do not have an opportunity to challenge applications for trademark registrations . . . within 30 days of publication, any person who believes that he would be damaged by registration of the mark may file an opposition, §13, 15 U.S.C. §1063 . . . within five years of registration any person who believes that he is or will be damaged by registration may seek to cancel a mark. §14(a), 15 U.S.C. §1064(a) . . . *Id.* at 202.

Once a mark has been examined initially, it is published for opposition purposes, and anyone believing they will be harmed by the registration of the mark can oppose the registration. Silstar did not oppose Shakespeare's mark; and during the next five year period before Shakespeare's mark became incontestable, Silstar did not petition to cancel Shakespeare's mark, even though Silstar had express notice of the registration since the parties were involved in a separate lawsuit concerning the mark in 1988 when the mark had not yet achieved incontestable status.

Not only did Silstar have express notice of Shakespeare's mark, Silstar's now Managing Director, who was employed by Shakespeare as Vice President during the prosecution phase of Shakespeare's mark, actually assisted in obtaining the registration of the mark by signing an oath before the PTO which stated that (1) Shakespeare owned the "clear tip" configuration; (2) no other person, firm, corporation or association had the right to use said mark in commerce, either in the identical form or in such near resemblance thereto as to be likely to cause confusion; and (3) the "clear tip" configuration had become distinctive of Shakespeare's goods. Presumably, the Fourth Circuit considered Silstar's assertions to the contrary regarding the above stated facts as not well taken.

III. Shakespeare's Mark Is Not Taught Or Claimed By Any Patent, Nor Is It The Natural Appearance Produced By, Or The Inherent Result Of, Shakespeare's Manufacturing Process.

Silstar asserts that Shakespeare's patents cover a process which results in the "clear tip" configuration, and that the "clear tip" configuration is the natural appearance produced by, or the inherent result of, Shakespeare's manufacturing process. These assertions, upon which Silstar bases its allegation that Shakespeare's mark is functional, are simply false.

Four patents were introduced into evidence in this case, namely, United States Patents No. 2,571,717 which expired in 1968; No. 2,726,185 which expired in 1972; No. 2,749,643 which expired in 1973; and No. 4,061,806 which will expire on December 6, 1994. At the appellate level, Shakespeare carefully demonstrated that none of its patents taught or claimed the "clear tip" configuration. To this day, Silstar has never addressed the subject directly, nor has Silstar even suggested how the patents could possibly teach or claim the "clear tip" configuration. Instead, Silstar has made, and continues to make, false conclusory statements and attempts to lead this Court to believe otherwise.

More telling on this point is not only the testimony discussed at the appellate level of Silstar's own Managing Director, a former key employee of Shakespeare, who stated that he was familiar with the '806 patent and that it did not call for color to be involved in the rod at all; but also the testimony of one of Silstar's own witnesses who stated that color, or the lack thereof, has nothing to do with how the rod functions. Indeed, it was noted that making the rod any other color would not affect how the rod functions; and

that other manufacturers are free to, and obviously do, manufacture fishing rods with tips which exhibit a variety of colors which are distinct from the "clear tip" configuration.

Finally, ample evidence was discussed at the appellate level establishing that Shakespeare takes multiple steps in its conscious alteration of an already existing public domain method of manufacture to produce the unique appearance of its "clear tip" configuration. It adds a dual color bath capability to the process—the Fourth Circuit having been apprised of the fact that the same process is capable of and does produce a rod that is a single color—medium tan—as evidenced by the UGLY STIK TIGER rod. Shakespeare selects the pigments, clarifying and curing agents that are mixed with the resins which are applied to the fiberglass strands which, in part, create the contrast between the whitish-translucent tip and the darker, opaque remainder of the shaft of the rod. Presumably, the Fourth Circuit recognized that to find Shakespeare's mark the inherent or natural result of its manufacturing process would be to render all color configuration marks, which are consciously configured to produce a unique appearance, the inherent or natural "result" of their respective manufacturing processes.

IV. Petitioner Has Failed To Apprise This Court Of The Fact That Trademark Law Has Long Afforded Protection To Nonfunctional Color Configuration Marks Such As Shakespeare's.

Nonfunctional color configuration marks such as Shakespeare's "clear tip" configuration, have been the subject of valid and enforceable trademarks for years, and for which the trademark law extends the same degree of protection as it would any wordmark or logo design. Quite simply, Silstar has failed to mention this relevant and significant body of trademark law to this Court.

Besides Shakespeare's mark, color applied to other products in a defined design have resulted in color configuration marks which are the subject of valid trademarks. The earliest of the following cases was decided in *1945*. For example, in *Artus Corp. v. Nordic Co. Inc.*, 512 F. Supp. 1184 (W.D.Pa. 1981), color coded shims which designated thickness were found not functional because thickness could be designated by any color (just as the solid fiberglass tips of fishing rods can be designated by any color). In *Brunswick-Balke-Collender Co. v. American Bowling & Billiard Corp.*, 150 F.2d 69 (2d Cir. 1945), *cert. denied*, 326 U.S. 757 (1945), the red crown on the neck of a bowling pin was recognized as a valid mark. The TTAB has also held that trademark rights exist in: a blue band around a drum of chemicals, *Ex Parte Nuodex Products Co.*, 107 U.S.P.Q. 300 (Com'r. Pats. 1955); a gold band around the end of a sewer pipe, *Youngstown Sheet & Tube Co. v. Tallman Conduit Co.*, 149 U.S.P.Q. 656 (T.T.A.B. 1966); and, a yellow band encircling a glass ampule, *In re Hodes-Lange Corp.*, 167 U.S.P.Q. 255 (T.T.A.B. 1970).

In general, the purpose of United States Trademark Law is to permit exclusivity in and to a mark so that it can serve as a single source identifier. This exclusivity prevents confusion of the public as to the source of origin of such goods, and the exclusive rights to a trademark may properly extend for so long as goods are sold under that mark. This is *not* equivalent to the type of illegal monopoly suggested by Silstar. Indeed, trademark rights are perpetual for so long as the mark is used.

Silstar's Petition suggests that the only protection which Shakespeare might hope to obtain in its color configuration mark would be by virtue of the patent laws. This is simply not the case. In this regard, Silstar's reliance on the *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), *reh. denied*, 376 U.S. 973 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), *reh. denied*, 377 U.S. 913 (1964); and the *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), cases is not only misleading in view of the recognized protection long afforded to color configuration marks, but misplaced because the cases have no relevance to the issues here.

The *Sears* and *Compco* cases, *supra*, held that a state's unfair competition law cannot, consistently with the federal patent laws, impose liability for or prohibit the copying of an article which is not protected by a federal patent or copyright, and others are, therefore, free to copy it. The states, however, could prescribe the labeling requirements. In the *Bonito Boats* case, *supra*, decided approximately twenty-five years after the *Sears* and *Compco* cases, *supra*, this Court narrowed those cases and reaffirmed the right of states to give unfair competition and trademark protection to trade dress.

However, the case also pointed out that in doing so, the states would have to be mindful of existing federal law which affords protection to nonfunctional configuration marks. As was stated by this Court in *Bonito Boats*:

> Congress has thus given federal recognition to many of the concerns which underlie the state tort of unfair competition and the application of *Sears* and *Compco* to nonfunctional aspects of a product which have been shown to identify source *must take into account of competing federal policies in this regard.* (Emphasis added) *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 166 (1989).

Thus, the preemption rationale of the *Sears* and *Compco* cases has no relevance to the use of the Lanham Act §43(a), 15 U.S.C. §1125, as the vehicle to assert a federal claim for protection against product copying. Similarly, the Court of Customs and Patent Appeals and one district court have held that the *Sears* and *Compco* decisions do not impact on the federal registration of trademark rights in a product and container configuration mark, and a wordmark/color configuration combination mark, respectively. *In re Mogen David Wine Corp.*, 372 F.2d 539 (1967); *Accord: Pachmayr Gun Works, Inc. v. Olin Mathieson Chemical Corp. Winchester Western Div.*, 502 F.2d 802, 806 (9th Cir. 1974) (mark consisting of the words WHITE LINE and a "white line" extending around the periphery of the recoil pad). *See* 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, §7.33, 3d Ed. (1994). Quite simply, the *Sears* and *Compco* decisions have no application to this case.

Additionally, Silstar's reliance on the *Sylvania Electric Products, Inc. v. Dura Electric Lamp Co.*, 247 F.2d 730 (3d Cir. 1957) case is also misplaced. The blue dot there asserted as a mark was contestable and

actually had a function. It was also the subject of an expired utility patent. It was made of a chemical that turned pink if the air-seal was defective and air leaked into the bulb rendering it unusable. Shakespeare has previously established that the color of its "clear tip" configuration has no function at all and is not taught or claimed by any patent.

Finally, Silstar's reliance on *Kohler Co. v. Moen, Inc.*, 12 F.3d 632 (7th Cir. 1993) is *totally* misplaced. The language Silstar points to is taken from the *dissent* in that case found on page 648. The case is actually illustrative of Shakespeare's position. Kohler filed an opposition before the TTAB against two applications filed by Moen to register its faucet design and faucet handle design. The TTAB dismissed the opposition and allowed the applications. Kohler sought review of the TTAB's decision which was affirmed by the Seventh Circuit Court of Appeals.

Silstar has not apprised this Court of the substantial and relevant case law which would assist this Court in its decision making process, nor has it cited any competent authority which would explain or justify its position. Instead, Silstar has presented this Court with a one-sided discussion of the law of functionality with asserted overtones of the alleged advancement of illegal monopoly, but these are simply not the issues in this case.

CONCLUSION

The Fourth Circuit Court of Appeals did not hold Shakespeare's mark to be functional. It did not subtantively address the issue of functionality at all. It held the mark to be valid as a matter of law because Silstar had not alleged any cognizable basis under 15 U.S.C. §1064 upon which the mark could be cancelled. Implicit in the Fourth Circuit's holding is that the district court should never have addressed the issue of functionality in the first instance. Petitioner does not allege any error or impropriety in the Fourth Circuit's expressly declining to address the issue of functionality, and the Fourth Circuit has already followed this Court's guidance in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985) on any remaining issues. Therefore, the questions raised in the Petition are hypothetical, and do not present this Court with any important federal questions which need to be, or can properly be addressed. Accordingly, the Petition should be denied.

Respectfully submitted,

JACK L. RENNER
Counsel of Record
SYLVIA A. PETROSKY
RENNER, KENNER, GREIVE,
BOBAK, TAYLOR & WEBER
1610 First National Tower
Akron, Ohio 44308
(216) 376-1242
Attorneys for Respondent
Shakespeare Company